

LONG BEACH UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE K, NOVEMBER 2008
FINANCIAL AND PERFORMANCE AUDITS

Fiscal Year Ended June 30, 2016



LONG BEACH UNIFIED SCHOOL DISTRICT

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June 30, 2016

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FINANCIAL AUDIT OF THE MEASURE K BOND FUND



INDEPENDENT AUDITOR'S REPORT ON THE MEASURE K GENERAL OBLIGATION BOND FINANCIAL STATEMENTS

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, 2016, and have issued our report thereon dated November 28, 2016. We have also audited the accompanying Measure K Bond Fund financial statements of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's Measure K Bond Fund 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, 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

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

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.

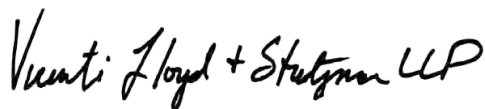
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure K Bond Fund of the District as of June 30, 2016, 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 dated November 28, 2016 on our consideration of the 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 District's internal control over the Measure K Bond Fund financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 28, 2016

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

**BALANCE SHEET
June 30, 2016**

Assets

Cash in county treasury	\$ 194,159,621
Accounts receivable	640,930
Prepaid expenditures	<u>310,875</u>
Total Assets	<u>\$ 195,111,426</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	<u>\$ 12,429,936</u>
Total Liabilities	<u>12,429,936</u>

Fund Balance

Restricted	<u>182,681,490</u>
Total Fund Balance	<u>182,681,490</u>
Total Liabilities and Fund Balance	<u>\$ 195,111,426</u>

See the accompanying notes to the financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

Revenues	
Interest Income	\$ 1,741,936
Total Revenues	<u>1,741,936</u>
Expenditures	
Classified Salaries	246,922
Benefits	92,794
Supplies	4,227,629
Services and Other Expenditures	8,776,441
Capital Outlay	<u>64,356,348</u>
Total Expenditures	<u>77,700,134</u>
Excess (deficiency) of revenues over expenditures	(75,958,198)
Other Financing Sources	
Interfund transfers in	<u>18,101,490</u>
Total Other Financing Sources	<u>18,101,490</u>
Net change in fund balance	(57,856,708)
Fund Balance at Beginning of Year	<u>240,538,198</u>
Fund Balance at End of Year	<u>\$ 182,681,490</u>

See the accompanying notes to the financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

	Budget*	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest Income	\$ 1,305,585	\$ 1,741,936	\$ 436,351
Total Revenues	1,305,585	1,741,936	436,351
Expenditures			
Salaries	246,922	246,922	-
Benefits	92,797	92,794	3
Supplies	4,405,413	4,227,629	177,784
Other services	25,316,388	8,776,441	16,539,947
Capital outlay	230,337,829	64,356,348	165,981,481
Total Expenditures	260,399,349	77,700,134	182,699,215
Excess (deficiency) of revenues over expenditures	(259,093,764)	(75,958,198)	183,135,566
Other Financing Sources			
Interfund transfers in	18,101,490	18,101,490	-
Total Other Financing Sources	18,101,490	18,101,490	-
Net change in fund balance	\$ (240,992,274)	(57,856,708)	\$ 183,135,566
Fund Balance at Beginning of Year		240,538,198	
Fund Balance at End of Year		\$ 182,681,490	

*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 THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

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.

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. 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.

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 entitled "Budget". The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Measure K Bond 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 those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Investments

Cash in County

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. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.1168% of amortized cost

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 55534, 53601, 53635 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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

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: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations, by major object account.

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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 4: BONDED DEBT

of issuing these 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. 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 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.

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year commencing, August 1, 2009 (Series A), August 1, 2011 (Series B), August 1, 2013 (Series C), and August 1, 2015 (Series D). 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 denominations 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, 2034 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 their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 4: BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
Measure K:					
Series A	4/07/2009	8/01/2033	3.50-5.00	\$ 260,000,000	\$ 66,235,000
Series B	4/19/2011	8/01/2035	7.26-7.33	3,020,686	3,020,686
Accreted Interest					2,173,313
Series B-1	4/19/2011	8/01/2025	5.314-5.914	72,406,000	72,406,000
Series C	5/15/2013	8/01/2037	1.00-4.00	50,000,000	34,010,000
Series D	2/19/2015	8/01/2043	3.00-4.00	180,000,000	170,180,000
Accreted Interest					3,519,127
Series D-1	2/19/2015	8/01/2039	3.33-4.31	89,998,410	89,998,410
Total				<u>\$ 655,425,096</u>	<u>\$ 441,542,536</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2017	\$ 21,580,000	\$ 15,032,949	\$	\$ 36,612,949
2018	17,515,000	14,180,349		31,695,349
2019	17,080,000	13,363,324		30,443,324
2020	14,050,000	12,633,224		26,683,224
2021	4,136,000	12,198,978		16,334,978
2022-2026	70,865,000	51,840,758		122,705,758
2027-2031	34,039,846	38,650,722	16,950,154	89,640,722
2032-2036	36,055,973	36,486,476	65,074,027	137,616,476
2037-2041	96,388,277	31,887,198	72,176,723	200,452,198
2042-2044	124,140,000	7,715,400		131,855,400
Total	<u>\$ 435,850,096</u>	<u>\$ 233,989,378</u>	<u>\$ 154,200,904</u>	<u>\$ 824,040,378</u>

NOTE 5: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for Measure K bond projects totaling approximately \$77.3 million. Projects will be funded through bond proceeds.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 5: COMMITMENTS AND CONTINGENCIES

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

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 Measure K Bond Fund financial statements of the Long Beach Unified School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's Measure K Bond Fund financial statements, and have issued our report thereon dated November 28, 2016.

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 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.

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.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 28, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

There were no findings related to the financial audit of the Measure K Bond Fund for the years ended June 30, 2016 and June 30, 2015.

PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM



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

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

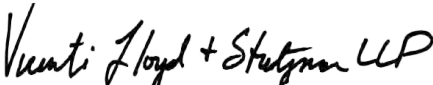
We have conducted a performance audit of the Long Beach Unified School District (the District) Measure K General Obligation Bond program for the year ended June 30, 2016.

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 pages 18-19 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure K General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution 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, the District expended Measure K Bond Program funds for the fiscal year ended June 30, 2016, 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 28, 2016

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM**

June 30, 2016

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.

In November 2008, a general obligation bond proposition (Measure K) of the District was approved by the voters of that 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, as specified in the bond measure provisions.

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.

OBJECTIVES

The objectives of our performance audit were to:

- Obtain documentation for the expenditures charged to the District Measure K Bond Program.

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM**

June 30, 2016

OBJECTIVES

- 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 Measure K Citizens' Oversight Committee with a performance audit as required under the provisions of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2015 to June 30, 2016. Our sample selection considered object and project codes associated with the bonds 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 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, 2016, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016, 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 year ended June 30, 2016, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects. Our sample included 39 transactions totaling \$43,038,283. This represents 55% of total expenditures of \$77,700,134, outlined on the following page.

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM**

June 30, 2016

PROCEDURES PERFORMED

	Expenditures for Fiscal Year Ended 6/30/2016
Construction Projects:	
Undistributed	\$ 1,250
Master Plan Projects	6,671,231
ECATS/McBride HS at the former DeMille Site	(120,531) ¹
GTE South Middle School at the former GTE Site	48,507
New High School # 2 at the former Browning Site	13,645,819
Avalon Site Wide Environment	85,419
Roosevelt ES New Construction	4,480,072
Jordan High School Major Renovation	23,692,627
Cabrillo High School Pool	190
Fire Alarm, Intercom & Clock replacement Phase 1	93,307
Fire Alarm, Intercom & Clock replacement Phase 2	6,000,394
Boiler Replacement Phase 1	167
Portable Removal Phase II	(510) ²
Portable Removal Phase III	814,186
Newcomb Middle School AB300 / New Construction	5,029,762
AB300 Projects (Wilson)	21,448
Bancroft MS Gym AB300	68,874
DSA Certification Projects	134,800
Access Compliance	111
Butler Projects	2,013
Jordan Freshman Academy Projects	(3,600) ³
Telecommunications Phase I	46,866
Intercom and Clock System	146,083
Security Technology and Infrastructure	1,179,856
Hamilton MS Gym	102,783
Hoover MS Gym	224,102
Poly Tech HS Auditorium	5,671,488
Wilson AB300	4,005,554
CAMS Technology and Site Improvements	129,953
Jordan Major Renovation Phase IV	36,053
Wireless & Data Communication Phase II	722,227
Jordan HS Major Renovation II	42,901
Subtotal	\$ 72,973,402

1-Project received Edison Savings credit and was applied in the fiscal year ending in June 30, 2016.

2-An estimated accrual from FY14-15 came in lower than estimated when payment was made in FY15-16.

3-Project received a refund from DGS that was treated as an abatement.

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM**

June 30, 2016

PROCEDURES PERFORMED

	Expenditures for Fiscal Year Ended 6/30/2016
Construction Projects:	
Subtotal from previous page	\$ 72,973,402
Jordan HS Interim Housing	279,533
New HS#5 - Hill	994,950
Renaissance HS Major renovation/addition	319,236
Willard Elem Minor renovation/addition	613,685
Polytechnic HS ADA	5,716
Washington MS DSA Cert.	629,526
Lowell ES ADA	163,060
Lakewood DSA Certification	74,150
Wilson DSA certification	2,297
Educare/Barton Project	576,407
Keller Conversion to Middle School	586,732
Nelson Field Project/Improvement	88,013
Sato Academy High School Modernization	255,991
Keller Field	54,105
Lindsey Academy New Field	65,428
Environmental Monitoring	14,778
Auditorium/Cafeteria Upgrades	2,175
Millikan Seismic-Reconstruction	950
Total	<u>\$ 77,700,134</u>

- 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 \$339,716 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.

CONCLUSION

The results of our tests indicated that, in all significant respects, the 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM**

June 30, 2016

SCHEDULE OF FINDINGS AND RESPONSES

There were no findings related to the performance audit of the Measure K Bond Fund for the year ended June 30, 2016 and June 30, 2015.