

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

June 30, 2017

LONG BEACH UNIFIED SCHOOL DISTRICT

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June 30, 2017

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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, 2017, and have issued our report thereon dated November 28, 2017. 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, 2017, 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, 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

INDEPENDENT AUDITORS' REPORT

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

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, 2017, 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, 2017 or the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the fund financial statements. Such missing information, although not a part of the fund financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the fund financial statements is not affected by this missing information.

INDEPENDENT AUDITORS' REPORT

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 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 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, 2017

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

**BALANCE SHEET
June 30, 2017**

	Measure K	Measure E
<u>Assets</u>		
Cash in county treasury	\$ 258,657,161	\$ 298,501,637
Accounts receivable	1,220,576	1,172,710
Prepaid expenditures	264,188	-
Total Assets	\$ 260,141,925	\$ 299,674,347
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 27,328,875	\$ 2,121,435
Total Liabilities	27,328,875	2,121,435
 Fund Balance		
Restricted	232,813,050	297,552,912
Total Fund Balance	232,813,050	297,552,912
Total Liabilities and Fund Balance	\$ 260,141,925	\$ 299,674,347

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, 2017**

	Measure K	Measure E
Revenues		
Interest income	\$ 2,192,795	\$ 1,355,078
Total Revenues	2,192,795	1,355,078
 Expenditures		
Classified salaries	782,019	99,974
Benefits	333,232	46,204
Supplies	665,521	-
Services and other expenditures	5,771,961	923,630
Capital outlay	94,508,502	2,732,358
Total Expenditures	102,061,235	3,802,166
 Deficiency of revenues over expenditures	(99,868,440)	(2,447,088)
 Other Financing Sources		
Proceeds from sale of bonds	150,000,000	300,000,000
Total Other Financing Sources	150,000,000	300,000,000
 Net change in fund balance	50,131,560	297,552,912
 Fund Balance at Beginning of Year	182,681,490	-
 Fund Balance at End of Year	\$ 232,813,050	\$ 297,552,912

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, 2017**

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, 2017**

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, 2017 is measured at 99.40% 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, 2017**

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, 2017**

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, 2017**

NOTE 3: BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
Series A	4/7/2009	8/1/2033	3.50-5.00	\$ 260,000,000	\$ 52,955,000
Series B	4/19/2011	8/1/2035	7.26-7.33	3,020,686	3,020,686
Accreted Interest					2,802,088
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	161,880,000
Accreted Interest					7,373,043
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>\$ 574,445,227</u>

The annual debt service requirements to maturity as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2018	\$ 17,515,000	\$ 20,064,367	\$	\$ 37,579,367
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
2023-2027	74,781,639	79,995,731	2,273,361	157,050,731
2028-2032	33,389,053	87,806,863	19,580,947	140,776,863
2033-2037	49,459,966	138,542,260	73,140,035	261,142,261
2038-2042	130,063,438	116,577,035	59,206,560	305,847,033
2043-2047	180,955,000	21,483,875		202,438,875
2048	31,595,000	1,263,800		32,858,800
Total	<u>\$ 564,270,096</u>	<u>\$ 540,649,001</u>	<u>\$ 154,200,903</u>	<u>\$ 1,259,120,000</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, 2017**

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, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
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, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$	5,691,706	5,691,706
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
2023-2027		45,986,250	45,986,250
2028-2032	14,125,000	44,866,000	58,991,000
2033-2037	23,825,000	32,383,250	56,208,250
2038-2042	51,585,000	32,204,550	83,789,550
2043-2047	82,585,000	19,276,600	101,861,600
2048	43,980,000	2,674,000	46,654,000
Total	<u>\$ 300,000,000</u>	<u>\$ 228,032,606</u>	<u>\$ 528,032,606</u>

NOTE 4: PURCHASE COMMITMENTS

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for Measure K and Measure E bond projects totaling approximately \$78 million. Project 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, 2017**

NOTE 5: COMMITMENTS AND 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, 2017, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated November 27, 2017.

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, 2017

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017**

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, 2017. In addition, there were no findings related to the financial audit of the Measure K Bond Building Fund for the year ended June 30, 2016.

**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, 2017.

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, 2017, 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 28, 2017

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

June 30, 2017

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, 2017

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, 2016 to June 30, 2017. 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, 2017, 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, 2017. For Measure K, our sample included 93 transactions totaling \$54,361,726. This represents 53% of total expenditures of \$102,061,235. For Measure E, our sample included 20 transactions totaling \$1,920,374. This represents 51% of total expenditures of \$3,802,166. Transaction counts and amounts include bond issuance costs.

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

June 30, 2017

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 salaries and benefits for the year ended June 30, 2017. Our sample of expenditures for salaries and benefits included \$1,106,216 and \$146,178 in payroll expenses for Measure K and Measure E, respectively.
 - 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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June 30, 2017

PROCEDURES PERFORMED

Measure K Bond Program

	Expenditures for Fiscal Year Ended <u>6/30/2017</u>
Construction Projects:	
Undistributed	\$ 152,350
Master Plan Projects	5,482,668
ECATS/McBride HS at the former DeMille Site	48,463
New High School # 2 at the former Browning Site	11,979,218
Avalon Site Wide Environment	211,925
Roosevelt ES New Construction	74,164
Jordan High School Major Renovation	20,355,049
DOH Portable Removal Phase I	535
Fire Alarm, Intercom & Clock replacement Phase 1	12,660
Fire Alarm, Intercom & Clock replacement Phase 2	3,111,030
Fire Alarm, Intercom & Clock replacement Phase 3	555,064
Portable Removal Phase II	47
Portable Removal Phase III	(27,547) ¹
Newcomb Middle School AB300 / New Construction	75,078
AB300 Projects (Wilson)	36,170
Bancroft MS Gym AB300	525
DSA Certification Projects	143,522
Access Compliance	7,999
Butler Projects	1,355,809
Jordan Freshman Academy Projects	1,582
Telecommunications Phase I	-
Intercom and Clock System	4,782,351
Security Technology and Infrastructure	329,422
Hill MS Gym	2,095,615
Hamilton MS Gym	224,753
Hoover MS Gym	150
Poly Tech HS Auditorium	6,587,598
Wilson AB300	12,226,043
CAMS Technology and Site Improvements	6,099
Jordan Major Renovation Phase IV	191,503
Wireless & Data Communication Phase II	(184,911) ²
Jordan HS Major Renovation II	23,654
Subtotal	<u>\$ 69,858,588</u>

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

2- E-Rate funding was received for prior year expenditures.

**LONG BEACH UNIFIED SCHOOL DISTRICT
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June 30, 2017

PROCEDURES PERFORMED

Measure K Bond Program (continued)

	Expenditures for Fiscal Year Ended 6/30/2017
Construction Projects:	
Subtotal from previous page	\$ 69,858,588
Jordan HS Interim Housing	197,497
New HS#5 - Hill	276,165
Renaissance HS Major renovation/addition	11,810,867
Willard Elem Minor renovation/addition	1,357
Polytechnic HS ADA	394,625
Washington MS DSA Cert.	2,196
Lowell ES ADA	1,450
Lakewood DSA Certification	189,685
Jordan HS Major Re	224,218
Wilson DSA certification	591
Educare/Barton Project	6,844,996
Keller Conversion to Middle School	87,422
Nelson Field Project/Improvement	1,350,843
Sato Academy High School Modernization	85,733
Keller Field	1,413,973
Lindsey Academy New Field	1,166,662
Environmental Monitoring	697
Auditorium/Cafeteria Upgrades	160,231
Wireless Data Communications - Erate Phase II	23,090
Millikan Selamic-Reconstruction	660,053
Poly HS Modernization	105,450
BARTON IMPROVEMENTS	140,697
Fire Alarm Phase IV	102,110
ENVIRONMENTAL CLEAN UP	17,299
Facilities New Building	625
Poly Site Improvements	94
Deferred Maintenance FY17	6,903,956
Security Cameras Phase II	40,065
Total	\$ 102,061,235

**LONG BEACH UNIFIED SCHOOL DISTRICT
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PROCEDURES PERFORMED

Measure E Bond Program

	Expenditures for Fiscal Year Ended <u>6/30/2017</u>
Construction Projects:	
Undistributed	\$ 750,000
Master Plan Projects	241,840
Kettering Interim housing	246,886
McKinley Interim Housing	14,620
Monroe Interim Housing	209,863
Riley Interim Housing	78,805
Webster Interim Housing	32,335
Cabrillo Track & Field	502,501
Cleveland HVAC	50,734
Jefferson HVAC	68,451
Kettering HVAC	151,007
Lindsey HVAC	15,573
McKinley HVAC	96,327
Riley HVAC	64,283
Rogers HVAC	91,050
Stephens HVAC	177,011
Webster HVAC	27,154
Barton HVAC	77,406
Bixby HVAC	141
Burcham HVAC	3,753
Garfield HVAC	171,314
Longfellow HVAC	11,546
Mann HVAC	143
Muir HVAC	80
Stanford HVAC	3,309
Wilson HVAC	5,282
Wilson Track & Field	290,414
Poly Track & Field	183,181
Lakewood HVAC	194,680
Lowell HVAC	35,407
Poly Site Improvements	7,070
Total	\$ 3,802,166

**LONG BEACH UNIFIED SCHOOL DISTRICT
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June 30, 2017

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, 2017 and June 30, 2016. Additionally, there were no findings related to the performance audit of the Measure E Bond Program for the year ended June 30, 2017.