

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

June 30, 2019



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LONG BEACH UNIFIED SCHOOL DISTRICT

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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, 2019, and have issued our report thereon dated December 10, 2019. 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, 2019, 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.

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, 2019, 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, 2019 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 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

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 and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 10, 2019

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

**BALANCE SHEET
June 30, 2019**

	Measure K	Measure E
<u>Assets</u>		
Cash in county treasury	\$ 105,664,547	\$ 41,595,112
Accounts receivable	981,129	-
Prepaid expenditures	41,726	58,372
Total Assets	\$ 106,687,402	\$ 41,653,484
 <u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ 29,561,191	\$ 36,615,560
Total Liabilities	29,561,191	36,615,560
 <u>Fund Balance</u>		
Restricted	77,126,211	5,037,924
Total Fund Balance	77,126,211	5,037,924
Total Liabilities and Fund Balance	\$ 106,687,402	\$ 41,653,484

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, 2019**

	Measure K	Measure E
Revenues		
Interest income	\$ 2,933,831	\$ 2,711,407
Total Revenues	2,933,831	2,711,407
Expenditures		
Classified salaries	815,836	903,886
Benefits	396,068	444,962
Supplies	520,626	1,468,103
Services and other expenditures	3,702,950	6,554,483
Capital outlay	55,820,885	195,416,115
Total Expenditures	61,256,365	204,787,549
Deficiency of revenues over expenditures	(58,322,534)	(202,076,142)
Other Financing Sources		
Intrafund transfers in	2,081,739	
Intrafund transfers out	-	(2,081,739)
Total Other Financing Sources	2,081,739	(2,081,739)
Net changes in fund balance	(56,240,795)	(204,157,881)
Fund Balance at Beginning of Year	133,367,006	209,195,805
Fund Balance at End of Year	\$ 77,126,211	\$ 5,037,924

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, 2019**

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, 2019**

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, 2019 is measured at 99.9041% 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, 2019**

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

or reverse repurchase agreements. The funds maintained by the county either are 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, 2019**

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 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 AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 3: BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2019 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2019
Series A	4/7/2009	8/1/2033	3.50-5.00	\$ 260,000,000	\$ 20,910,000
Series B	4/19/2011	8/1/2035	7.26-7.33	3,020,686	3,020,686
Accreted Interest					4,296,641
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					15,566,158
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	149,395,000
Total				<u>\$ 805,425,096</u>	<u>\$ 548,932,895</u>

The annual debt service requirements to maturity as of June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2020	\$ 16,180,000	\$ 18,446,753	\$	\$ 34,626,753
2021	8,636,000	18,190,107		26,826,107
2022	4,010,000	17,902,086		21,912,086
2023	15,465,000	17,366,074		32,831,074
2024	16,190,000	16,443,195		32,633,195
2025-2029	56,550,113	71,369,969	8,634,887	136,554,969
2030-2034	41,441,633	68,066,326	24,748,367	134,256,326
2035-2039	60,784,770	63,333,025	97,570,239	221,688,034
2040-2044	195,922,580	46,104,125	23,247,410	265,274,115
2045-2048	113,890,000	9,476,800		123,366,800
Total	<u>\$ 529,070,096</u>	<u>\$ 346,698,460</u>	<u>\$ 154,200,903</u>	<u>\$ 1,029,969,459</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, 2019**

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, 2019 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, 2019</u>
Series A	2/28/2017	8/1/2047	4.00-5.00	\$ 300,000,000	\$ 268,085,000
Total				<u>\$ 300,000,000</u>	<u>\$ 268,085,000</u>

The annual debt service requirements to maturity as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 24,645,000	\$ 11,180,375	\$ 35,825,375
2021	27,340,000	9,880,750	37,220,750
2022		9,197,250	9,197,250
2023		9,197,250	9,197,250
2024		9,197,250	9,197,250
2025-2029	3,920,000	45,803,250	49,723,250
2030-2034	20,470,000	42,789,250	63,259,250
2035-2039	41,235,000	35,281,125	76,516,125
2040-2044	69,140,000	23,685,800	92,825,800
2045-2048	81,335,000	6,838,100	88,173,100
Total	<u>\$ 268,085,000</u>	<u>\$ 203,050,400</u>	<u>\$ 471,135,400</u>

NOTE 4: PURCHASE COMMITMENTS

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for Measure K and Measure E bond projects totaling approximately \$293.8 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, 2019**

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.

NOTE 6: SUBSEQUENT EVENT

On September 5, 2019, the District issued two new series of bonds. General Obligation Bonds, Election 2016, Measure E, Series B of \$300,000,000 current interest and term bonds. General Obligation bonds, Election 2008, Measure K, Series F of \$150,000,000, current interest and term bonds. Both bonds 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 those bonds.



**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, 2019, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated December 10, 2019.

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
December 10, 2019

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019**

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, 2019. In addition, there were no findings related to the financial audit of the Measure K Bond Building Fund for the year ended June 30, 2018.

**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, 2019.

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, 2019, 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

CliftonLarsonAllen LLP
Glendora, California
December 10, 2019

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

June 30, 2019

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 refers 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, 2019

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, 2018 to June 30, 2019. 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, 2019, 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, 2019. For Measure K, our sample included 35 transactions totaling \$45,455,459. This represents 76% of total expenditures of \$60,044,464. For Measure E, our sample included 139 transactions totaling \$153,715,944. This represents 76% of total expenditures of \$203,438,701.

**LONG BEACH UNIFIED SCHOOL DISTRICT
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June 30, 2019

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, 2019. For Measure K, our sample included employee costs totaling \$815,835. This represents 67% of total expenditures of \$1,211,904. For Measure E, our sample included employee costs totaling \$903,886. This represents 67% of total expenditures of \$1,348,848.
 - 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 6/30/2019
Construction Projects:	
Undistributed	\$ 2,163
Master Plan Projects	3,216,698
New High School # 2 at the former Browning Site	(1,791,309) ¹
Avalon Site Wide Environment	781,273
Roosevelt ES New Construction	(4,383,874) ²
Jordan High School Major Renovation	16,903,995
DOH Portable Removal Phase I	(2,264) ¹
Fire Alarm, Intercom & Clock Replacement Phase II	744,295
Portable Removal Phase III	31,646
Newcomb Middle School AB300 / New Construction	(7,352,749) ²
DSA Certification Projects	2,741
Butler Projects	(1,764) ¹
Telecommunications Phase I	3,200
Intercom and Clock System	2,818,468
Security Technology and Infrastructure	(70,642) ¹
Core Switch and UPS Replacement Phase II	(24,450) ¹
FacAcqCn - Nelson Academy	(47,902) ¹
Sato HS Gym AB300 (formerly Hill)	(194,687) ¹
Hamilton MS Gym	68,101
Poly Tech HS Auditorium	(21,275) ¹
Wilson AB300	161,354
Jordan Major Renovation Phase IV	6,031,331
Wireless & Data Communication Phase II	(38,910) ¹
Telecommunications Phase II	208,305
Jordan HS Major Renovation II	299,612
Subtotal	17,343,356

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

2- State funding applied to the project

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PROCEDURES PERFORMED

Measure K Bond Program (continued)

	Expenditures for Fiscal Year Ended 6/30/2019
Construction Projects:	
Subtotal from previous page	17,343,356
Jordan HS Major Renovation Phase V	1,105
Jordan HS Major Renovation Phase VI	832
Jordan HS Interim Housing	155,941
New HS#5 - Hill	43,889
Renaissance HS Major Renovation/Addition	4,496,431
Willard Elem Minor Renovation/Addition	(3,458)
Polytechnic HS ADA	16,465
Jordan HS Major Re	7,808,308
Educare/Barton Project	(5,119,101)
Keller Conversion to Middle School	440,699
Sato Academy High School Modernization	14,157,807
Lindsey Academy New Field	912
Wireless Data Communications - Erate Phase II	(2,473,278)
Millikan Seismic-Reconstruction	5,109,829
Barton Improvements	174,066
Fire Alarm Phase IV	2,880,560
Environmental Clean Up	57,061
Monroe Interim Housing	(17,716)
Deferred Maintenance FY18	321,397
Facilities New Building	887,014
Student Technology Chromebooks	67,400
Small Priority Projects	25,934
Technology Infrastructure	703,450
Deferred Maintenance FY17	24,450
Security Cameras Phase II	140,172
Deferred Maintenance FY19	8,006,347
Keller MS Locker Room	1,280
Fire Alarm, Intercom & Clock Replacement Phase V	575,338
Security Improvements	3,529,862
Deferred Maintenance FY20	1,839,799
Jordon PH3 Renovation (Science Building)	871
Stevenson Site Improvements	59,346
Total	\$ 61,256,368

3- Receipt of local donations for the project.

4- Receipt of E-Rate funding.

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PROCEDURES PERFORMED

Measure E Bond Program

	Expenditures for Fiscal Year Ended <u>6/30/2019</u>
Construction Projects:	
Undistributed	\$ 250
Master Plan Projects	4,916,293
Sato HS Gym	
Jordan Major Renovation PH IV Total	(289) ¹
Kettering Interim Housing	119,749
McKinley Interim Housing	(2,844) ¹
Monroe Interim Housing	31,753
Riley Interim Housing	(1,242,477) ²
Webster Interim Housing	1,014,347
Cabrillo Track & Field	(300,547) ¹
Cleveland HVAC	4,442,522
Jefferson HVAC	21,710,819
Kettering HVAC	6,146,532
Lindsey HVAC	1,792,803
McKinley HVAC	12,086,202
Riley HVAC	5,402,423
Rogers HVAC	9,599,329
Stephens HVAC	10,852,909
Webster HVAC	8,608,577
Barton HVAC	13,425,390
Bixby HVAC	1,480,048
Burcham HVAC	10,539,301
Garfield HVAC	7,114,290
Longfellow HVAC	8,760,985
MacArthur HVAC	12,104,712
Mann HVAC	7,044,180
Muir HVAC	971,462
Stanford HVAC	(9,877) ¹
Washington HVAC	403,209
Wilson HVAC	2,650,362
Wilson Track & Field	(291,526) ¹
Poly Track & Field	698,578
Lakewood HVAC	23,786,895
Lowell HVAC	9,844,030
Poly Site Improvements	2,583,817
Subtotal	186,284,207

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

2- Reclassification of project costs to Reily HVAC project.

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PROCEDURES PERFORMED

Measure E Bond Program (continued)

	Expenditures for Fiscal Year Ended <u>6/30/2019</u>
Construction Projects:	
Subtotal from previous page	186,284,207
Jefferson All Weather Field Installation	840,217
Stephens All Weather Field Installation	(2,002,152) ¹
Jefferson All Weather Field Installation	940,499
Stanford All Weather Field Installation	5,523
Keller HVAC Total	10,359,970
Hamilton MS Track & Field	19,527
Madison ES HVAC	738,588
Cubberley K-8 HVAC	640,739
Millikan HS Track & Field	220,404
Alvarado ES HVAC	342,589
Hughes MS HVAC	1,284,167
Naples HVAC	271,915
Avalon HVAC	459,446
Hughes All Weather Field Installation	53,270
Cubberley All Weather Field Installation	13,781
Muir All Weather Field Installation	140
Prisk HVAC	663,161
Holmes HVAC	345,175
Twain HVAC	378,270
Bancroft HVAC	714,603
Washington All Weather Field Installation	28,186
Lakewood All Weather Field Installation	182,710
Millikan HVAC	821,279
Birney HVAC	178,158
Freemont HVAC	431,239
Bryant ES HVAC	20,570
Stephens Replacement Bldg	154,727
Bancroft Track and Field	32,787
Avalon Site Improvements (Baseball Field)	238,684
Rogers Site Improvements (Portables)	16,200
Robinson HVAC Projects	108,970
Total	\$ 204,787,549

**LONG BEACH UNIFIED SCHOOL DISTRICT
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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 those 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 and Measure E Bond Program for the years ended June 30, 2019 and June 30, 2018.

