

LONG BEACH UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE K, NOVEMBER 2008
FINANCIAL AUDIT**

Fiscal Year Ended June 30, 2012

LONG BEACH UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE K
FINANCIAL AUDIT

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
The Citizens' Oversight Committee
Long Beach Unified School District
1515 Hughes Way
Long Beach, California 90810

We have 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, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 9, 2012.

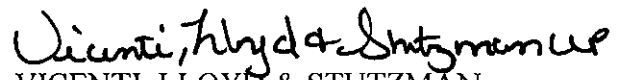
We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure K Bond Fund of the Long Beach Unified School District as of and for the year ended June 30, 2012. These statements are the responsibility of the Long Beach Unified School District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Measure K Bond Fund 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 for the Measure K Bond Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Measure K Bond Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Measure K Bond Fund of the Long Beach Unified School District as of June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012 on our consideration of the Long Beach Unified School District's internal control over the Measure K Bond Fund financial reporting and 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* and should be considered in assessing the results of our audit.


VICENTI, LLOYD & STUTZMAN LLP

November 9, 2012

LONG BEACH UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
MEASURE K BOND FUND
June 30, 2012**

ASSETS

Cash in County Treasury	\$ 186,346,665
Accounts Receivable	415,286
Prepaid Expenditures	<u>615,093</u>
TOTAL ASSETS	<u>\$ 187,377,044</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 8,890,521</u>
TOTAL LIABILITIES	<u>8,890,521</u>

FUND BALANCE

Restricted	<u>178,486,523</u>
TOTAL FUND BALANCE	<u>178,486,523</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 187,377,044</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

MEASURE K BOND FUND

June 30, 2012

REVENUES	
Interest Income	<u>\$ 2,155,342</u>
TOTAL REVENUES	<u>2,155,342</u>
EXPENDITURES	
Supplies	1,039,808
Services and Other Expenditures	9,335,862
Capital Outlay	<u>64,973,809</u>
TOTAL EXPENDITURES	<u>75,349,479</u>
Deficiency of Revenues Over Expenditures	<u>(73,194,137)</u>
Fund Balance at Beginning of Year	<u>251,680,660</u>
Fund Balance at End of Year	<u>\$ 178,486,523</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - MEASURE K BOND FUND
June 30, 2012**

	Budget*	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest Income	\$ 2,155,342	\$ 2,155,342	\$ -
TOTAL REVENUES	<u>2,155,342</u>	<u>2,155,342</u>	<u>-</u>
EXPENDITURES			
Supplies	4,275,979	1,039,808	3,236,171
Contracted Services and Other Expenditures	13,884,478	9,335,862	4,548,616
Capital Outlay	<u>235,675,545</u>	<u>64,973,809</u>	<u>170,701,736</u>
TOTAL EXPENDITURES	<u>253,836,002</u>	<u>75,349,479</u>	<u>178,486,523</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (251,680,660)</u>	<u>(73,194,137)</u>	<u>\$ 178,486,523</u>
Fund Balance at Beginning of Year		<u>251,680,660</u>	
Fund Balance at End of Year		<u>\$ 178,486,523</u>	

*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 FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with U.S. 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. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the results 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 GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 Measure K Bond Fund balance 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 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 these estimates.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY:

In accordance with Education Code Section 41001, the District maintains all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair market value of the District's deposits for the Measure K Bond Fund in this pool as of June 30, 2012, as provided by the pool sponsor, was \$186,576,154.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in 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. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriations, by major object accounts, that occurred in the Measure K Bond Fund.

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. 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 of 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.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 – BONDED DEBT: (continued)

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.

Capital appreciation bonds issued for Measure K, Series B have maturity dates from August 1, 2034 through August 1, 2035. Prior to the maturity date, the bond will accrete interest on the principal component.

The outstanding bonded debt for the Long Beach Unified School District at June 30, 2012 is:

Measure K	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Principal Payment Current Year</u>	<u>Outstanding June 30, 2012</u>
Series A	4/7/2009	3.5%-5.0%	8/1/2033	260,000,000	237,740,000		16,085,000	\$ 221,655,000
Series B	4/19/2011	7.26%-7.33%	8/1/2035	3,020,686	3,020,686			3,020,686
Series B-1	4/19/2011	5.314%-5.914%	8/1/2025	72,406,000	72,406,000			72,406,000
				<u>\$ 335,426,686</u>	<u>\$ 313,166,686</u>	<u>\$ -</u>	<u>\$ 16,085,000</u>	<u>\$ 297,081,686</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2012, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2013	\$ 18,710,000	\$ 14,871,380	\$	\$ 33,581,380
2014	9,015,000	14,264,330		23,279,330
2015	10,335,000	13,834,205		24,169,205
2016	11,745,000	13,342,630		25,087,630
2017	13,280,000	12,762,580		26,042,580
2018-2022	77,996,000	52,959,448		130,955,448
2023-2027	89,085,000	29,074,506		118,159,506
2028-2032	43,720,000	12,094,550		55,814,550
2033-2036	<u>23,195,686</u>	<u>43,498,358</u>	<u>42,489,314</u>	<u>109,183,358</u>
Total	<u>\$ 297,081,686</u>	<u>\$ 206,701,987</u>	<u>\$ 42,489,314</u>	<u>\$ 546,272,987</u>

The repayment of the debt related to the Measure K General Obligation Bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the District's basic financial statements. In addition, the long term debt is reported in the government wide statements of the District's basic financial statements and is not part of the financial statements reported herein.

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$16,700,000. Projects will be funded through bond proceeds.

NOTE 6 – CONTINGENCIES:

The Board of Education intends to issue a 2013 series of its Measure K bonds for purposes authorized by the voters of the District. In June 2012, the Board passed a resolution requesting the Board of Supervisors of Los Angeles County to establish a tax rate for this bond issuance.



**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
The Citizens' Oversight Committee
Long Beach Unified School District
1515 Hughes Way
Long Beach, California 90810

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure K Bond Fund of the Long Beach Unified School District as of and for the year ended June 30, 2012. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Long Beach Unified School District's internal control over the Measure K Bond Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Measure K Bond Fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Long Beach Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Long Beach Unified School District's internal control over financial reporting.

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.

**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 over fund financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over fund financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Unified School District's Measure K Bond Fund 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 of the Measure K Bond Fund disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, Citizens' Oversight Committee and District management, and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 9, 2012

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

There were no findings related to the financial audit of the Measure K Bond Fund for the fiscal years ended June 30, 2011 and June 30, 2012.