

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

Fiscal Year Ending June 30, 2013



MEASURE K SCHOOL BONDS

LONG BEACH UNIFIED SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Long Beach Unified School District (the "District"), Measure K General Obligation Bond funds for the year ended June 30, 2013.

We conducted our performance audit in accordance with *Governmental 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 findings and 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 three of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure K General Obligation Bonds under Section 1(b)(3)(C) of Article XIII A of the California Constitution and under certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code. 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 and certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that for the fiscal year ended June 30, 2013 the District complied, in all significant respects, with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, and certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 15, 2013

LONG BEACH UNIFIED SCHOOL DISTRICT

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BACKGROUND INFORMATION

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. In November 2008, a general obligation bond proposition (Measure K) of the Long Beach Unified School District was approved by the voters of the District. Measure K authorized the District to issue up to \$1.2 billion of general obligation bonds to finance various capital projects, and related costs.

The Priority School Project Lists section of the Measure K ballot language makes reference to the District's 2009 Facilities Master Plan for the specific projects that the District proposes to finance with the proceeds from the Measure K bonds. Listed projects are completed as needed at a particular school site according to Board-approved Project Listing Recommendations (per page 19b of the 2009 Facilities Master Plan). The Project Listing Recommendations were formulated by the District's Internal Executive Committee, and reflect recommendations made by the district's Community Advisory Committee.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure K bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure K Bond Fund have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and be submitted to the Citizens' Oversight Committee by March 31 of each year.

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OBJECTIVES

The objectives of our performance audit were to:

- Obtain documentation for the expenditures charged to the Long Beach Unified School District Measure K Bond Program.
- Determine whether expenditures charged to the Measure K Bond Program funds have been made in accordance with the bond project list approved by the voters through the approval of Measure K in November 2008.
- Note incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight and provide recommendations for improvement.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2012 to June 30, 2013. Our sample selection considered object and project codes associated with the bond projects. However, not all planned projects incurred expenditures in the current year, and not all projects with expenditures were tested. The propriety of expenditures for capital projects and maintenance projects funded through 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, 2013, were not reviewed or included within the scope of our audit or in this report.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the Measure K Bond Program. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure K with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure K election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- The District expended \$70,470,797 during fiscal year ended June 30, 2013 on the projects outlined on the following page. Our sample included 81 transactions totaling \$47,379,744 which represents 67% of total expenditures.

We reviewed documentation, including the Long Beach Unified School District's website, to verify compliance with certain bond oversight requirements of the California Education Code, including the membership make-up of the Citizens' Oversight Committee, publication of committee proceedings, and the issuance of an annual report to the public.

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PROCEDURES PERFORMED (continued)

| | Expenditures for Fiscal Year Ended 6/30/2013 |
|---|---|
| Construction Projects: | |
| Master Plan Projects | \$ 9,384,276 |
| New High School # 1 at the former DeMille Site | 24,228,671 |
| New Middle School # 1 at the former GTE Site | 1,344,266 |
| New High School # 2 at the former Browning Site | 2,284,033 |
| Roosevelt ES New Construction | 2,820,095 |
| Jordan High School Major Renovation | 4,591,320 |
| Cabrillo High School Pool | 9,614,323 |
| Portable Removal Phase I | 11,350 |
| Lighting & Ceiling Replacement Phase I | 594,456 |
| Fire Alarm, Intercom & Clock replacement | 486,627 |
| Boiler Replacement Phase I | 832,599 |
| Portable Removal Phase II | 388,735 |
| Newcomb Middle School AB300 / New Construction | 5,781,566 |
| AB300 Projects (Lakewood) | 34,758 |
| AB300 Projects (Wilson) | 62,746 |
| Bancroft MS Gym AB300 | 362,209 |
| DSA Certification Projects | 852,966 |
| Jordan Freshman Academy Projects | 94,785 |
| Access Compliance ADA Improvement Phase I | 400,018 |
| Lakewood DOH Portable Removal | (1,450) |
| Intercom and Clock System | 472,291 |
| Security Technology and Infrastructure | 512,831 |
| Wireless Data Communication | 1,874,557 |
| Harte Deportablization and Restroom | 691,454 |
| Hill MS Gym | 36,111 |
| Hamilton MS Gym | 52,898 |
| Hoover MS Gym | 291,668 |
| Poly Tech HS Auditorium | 905,936 |
| Wilson AB300 | 641,648 |
| Polytechnic HS DSA Certification | 73,044 |
| CAMS Technology and Site Improvements | 100,195 |
| Jordan Major Renovation Phase IV | 59,167 |
| Wireless & Data Communication Phase II | 20,771 |
| Jordan HS Interim Housing | 46,581 |
| New HS #5 | 244 |
| Willard Elementary Minor Renovation/Addition | 22,253 |
| Washington MS DSA Certification | 9,005 |
| Jordan Interim Field Improvements | 27,627 |
| Lowell ES ADA | 5,220 |
| Lakewood DSA Certification | 17,344 |
| Undistributed | 1,250 |
| | <hr/> |
| | 70,030,444 |
| Other Costs: | |
| Bonds Issuance Costs | 440,353 |
| | <hr/> |
| | \$ 70,470,797 |

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PROCEDURES PERFORMED (continued)

- We verified on a sample basis that the Measure K Bond Program funds were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Measure K Bond Fund were not used for salaries of school administrators or other operating expenses of the District.

RESULTS OF PROCEDURES:

The results of our tests indicated that, in all significant respects, Long Beach Unified School District has properly accounted for the expenditures of the funds of the Measure K Bond Program and that such expenditures were made on authorized bond projects. Further, it was noted that the funds of the Measure K Bond Program were not expended for salaries of school administrators or other operating expenditures.

In addition, the results of our tests indicated that, in all significant respects, the District complied with the applicable California Education Code requirements for which the purpose of a Citizens' Oversight Committee is established.