

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE K BOND PROGRAM FUND  
FINANCIAL AUDIT**

**For the Two Months Ended June 30, 2009**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM FUND**  
**FINANCIAL AUDIT**

**June 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Long Beach Unified School District (the District), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. 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 Program Fund of the District for the two months ended June 30, 2009. These statements are the responsibility of the 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 Program Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 Program 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 Program 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 Program Fund of the District as of June 30, 2009, 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 30, 2009 on our consideration of the District's internal control over financial reporting for the Measure K Bond Program Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters related to the Measure K Bond Program Fund. 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 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*

VICENTI, LLOYD & STUTZMAN LLP

November 30, 2009

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET  
MEASURE K BOND PROGRAM FUND  
June 30, 2009**

**ASSETS**

Cash in County Treasury	\$ 209,373,549
<b>TOTAL ASSETS</b>	<b>\$ 209,373,549</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ 197,155
<b>TOTAL LIABILITIES</b>	<b>197,155</b>

**FUND BALANCE**

Undesignated	209,176,394
<b>TOTAL FUND BALANCE</b>	<b>209,176,394</b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 209,373,549</b>
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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 PROGRAM FUND**

**For the Two Months Ended June 30, 2009**

**REVENUES**

Interest Income	\$ 585,220
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<b>TOTAL REVENUES</b>	<u>585,220</u>
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**EXPENDITURES**

Contracted Services and Other Expenses	<u>158,826</u>
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<b>TOTAL EXPENDITURES</b>	<u>158,826</u>
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Excess of Revenues over Expenditures	<u>426,394</u>
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**OTHER FINANCING SOURCES (USES)**

Proceeds from Sale of Bonds	260,000,000
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Interfund Transfers Out	<u>(51,250,000)</u>
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<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>208,750,000</u>
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Net Change in Fund Balance	209,176,394
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Fund Balance at Beginning of Year	<u>-</u>
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Fund Balance at End of Year	<u><u>\$ 209,176,394</u></u>
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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 PROGRAM FUND**

**For the Two Months Ended June 30, 2009**

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Interest Income	\$ 585,220	\$ 585,220	\$ -
<b>TOTAL REVENUES</b>	<u>585,220</u>	<u>585,220</u>	<u>-</u>
<b>EXPENDITURES</b>			
Contracted Services and Other Expenses	<u>209,335,220</u>	<u>158,826</u>	<u>209,176,394</u>
<b>TOTAL EXPENDITURES</b>	<u>209,335,220</u>	<u>158,826</u>	<u>209,176,394</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(208,750,000)</u>	<u>426,394</u>	<u>209,176,394</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Bonds	260,000,000	260,000,000	-
Interfund Transfers Out	<u>(51,250,000)</u>	<u>(51,250,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>208,750,000</u>	<u>208,750,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>209,176,394</u>	<u>\$ 209,176,394</u>
Fund Balance at Beginning of Year		<u>-</u>	
Fund Balance at End of Year		<u>\$ 209,176,394</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 necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Measure K Bond Program Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BASIS OF ACCOUNTING**

The Measure K Bond Program Fund 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.

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.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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

**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.

**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 Program Fund are determined by its measurement focus. The Measure K Bond Program 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 Program Fund are accounted for in the basic financial statements of the Long Beach Unified School District.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

There were no excesses of expenditures over appropriations, by major object accounts.

**NOTE 3 – DEPOSITS:**

In accordance with Education Code Section 41001, the District maintains substantially all the cash related to the Measure K Bond Program Fund in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s deposits for the Measure K Bond Program Fund in this pool as of June 30, 2009, as provided by the pool sponsor, was \$209,797,871.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 3 – DEPOSITS: (continued)**

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 4 – INTERFUND TRANSACTIONS:**

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2008-09 fiscal year are as follows:

Transfer from the Measure K Bond Program Fund to the Capital Facilities Fund for Certificates of Participation payoff	\$51,250,000
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**NOTE 5 – BONDED DEBT:**

**General Obligation Bonds-Measure K**

In November 4, 2008, the voters approved the issuance of bonds, not to exceed \$1,200,000,000. On April 7, 2009, the District issued Series A of 2008 General Obligation Bonds 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 5 - BONDED DEBT: (continued)**

**Payments**

Interest due is payable semi-annually on February 1 and August 1 of each year commencing August 1, 2009 (Measure K Series A). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Principal Payment Current Year	Outstanding June 30, 2009
Series A	04/07/09	3.5%-5.0%	8/1/2033	\$ 260,000,000	\$ -	\$ 260,000,000	\$ -	\$ 260,000,000

The annual requirements to amortize Series A bond payable, outstanding as of June 30, 2009, are as follows:

**2009 Series A**

Year Ended June 30,	Principal	Interest	Total
2010	\$	\$ 9,181,187	\$ 9,181,187
2011	22,260,000	12,130,850	34,390,850
2012	16,085,000	11,387,225	27,472,225
2013	18,710,000	10,628,925	29,338,925
2014	9,015,000	10,021,875	19,036,875
2015-2019	67,405,000	42,132,075	109,537,075
2020-2024	46,645,000	26,320,624	72,965,624
2025-2029	30,550,000	18,156,132	48,706,132
2030-2034	49,330,000	6,855,481	56,185,481
	<u>\$ 260,000,000</u>	<u>\$ 146,814,374</u>	<u>\$ 406,814,374</u>

**NOTE 6 –PURCHASE COMMITMENTS:**

As of June 30, 2009, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$363,974. Projects will be funded through bond proceeds.

**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District) as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2009. 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 Program Fund of the Long Beach Unified School District for the two months ended June 30, 2009. 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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Measure K Bond Program Fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statement that is more than inconsequential will not be prevented or detected by the District's internal control.

**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***

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Measure K Bond Program Fund financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting for the Measure K Bond Program Fund 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 Program 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 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, the 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*

VICENTI, LLOYD & STUTZMAN LLP

November 30, 2009

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM FUND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**

There are no findings and questioned costs for the two months end June 30, 2009.