

Final Editorial Review Completed

NDPPS USE ONLY	
NDPPS ID:	<u>615510</u>
Contact Name:	<u>Kristen Olko</u>
Special Instructions	_____
_____	_____
_____	Version: <u>2</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year ended June 30, 2016

(With Independent Auditors' Report Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM

Table of Contents

	Page
Independent Auditors' Report	1
Statement of Expenditures of Bond Proceeds	3
Notes to Statement of Expenditures of Bond Proceeds	4
Unaudited Supplementary Schedule of Expenditures of Bond Proceeds	5
Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds	6
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Proposition A Bond Construction Program Statement of Expenditures of Bond Proceeds Performed in Accordance With <i>Government Auditing Standards</i>	8

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

Report on the Statement

We have audited the accompanying statement of expenditures of bond proceeds of the Proposition A Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2016, and the related notes to the statement of expenditures of bond proceeds.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of this statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of expenditures of bond proceeds that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of expenditures of bond proceeds 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 statement of expenditures of bond proceeds is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of expenditures of bond proceeds. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement of expenditures of bond proceeds, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the statement of expenditures of bond proceeds 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 District'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 statement of expenditures of bond proceeds.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Statement of Expenditures of Bond Proceeds

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of the Los Angeles Community College District's Proposition A Bond Construction Program for the year ended June 30, 2016, in accordance with U.S. generally accepted accounting principles.

Other Matters

Purpose of Report

As described in note 2 to the statement of expenditures of bond proceeds, the accompanying statement of expenditures of bond proceeds was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of expenditures of bond proceeds of the Proposition A Bond Construction Program. The accompanying supplementary schedule of expenditures of bond proceeds of the Proposition A Bond Construction Program of the District for the period from April 10, 2001 (inception) through June 30, 2016 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds.

The supplementary schedule of expenditures of bond proceeds has not been subjected to the auditing procedures applied in the audit of the statement of expenditures of bond proceeds, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the District's internal control over 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 this 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

[(signed) KPMG LLP]

December 7, 2016

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2016

College direct costs:

Structural and equipment costs:

Construction (new)	\$ 1,490,207
Construction (renovation)	3,127,209
Temporary facilities	320,236
Furniture, fixtures, and equipment	<u>25,215</u>
Total structural and equipment costs	<u>4,962,867</u>

Development and support costs:

Master planning	10,836
Design	803,956
Specialty consulting	34,943
Project management	516,752
Inspection and testing	46,401
Reimbursable expenditures	<u>2,288</u>
Total development and support costs	<u>1,415,176</u>

Total college direct costs	<u>6,378,043</u>
----------------------------	------------------

Programwide costs:

Program management	921,947
Compliance and audit fees	<u>25,000</u>
Total programwide costs	<u>946,947</u>

Total college direct costs and programwide costs	\$ <u><u>7,324,990</u></u>
--	----------------------------

See accompanying notes to statement of expenditures of bond proceeds.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2016

(1) Program Background

In April 2001, the Los Angeles Community College District (the District) became the first community college district in the State of California to pass a property tax financed bond (Proposition A) under the requirements of the Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act). Passed by voters at a value of \$1.245 billion, the District's Proposition A Bond Construction Program (the Program) was one of the largest community college bonds ever passed in California. The bond measure was designed to implement a capital improvement program for each of the nine colleges within the District.

The Program is intended to increase educational opportunities, raise student achievement, and improve health and safety conditions on the campuses of the nine colleges within the District through the replacement and/or repair and rehabilitation of deteriorating buildings; the construction, furnishing, and equipping of classrooms, laboratories, libraries, and related facilities; the repair and upgrading of electrical wiring for computer technology, heating, air conditioning, and plumbing; complete earthquake retrofitting; improvement of campus safety, fire security, parking, and lighting; and the improvement of current or to be acquired real property to relieve overcrowding of the facilities on these campuses.

In August 2001, the District's board of trustees approved an award of the contract for program management (Program Manager) services to Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. Effective April 4, 2013, URS Corporation was replaced by a new Program Manager, AECOM.

The Program Manager is responsible for managing all program related activities, including the maintenance of the master schedule and the master program budget. The Program Manager provides its own staff and services for budgeting, accounting, contracting, and supervising the program. The annual contract amount paid to the Program Manager related to the Proposition A Bond Construction Program totaled \$552,468 for the year ended June 30, 2016.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2016 has been prepared on the accrual basis of accounting. The Act requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes all amounts expended using bond proceeds regardless of expenditure type.

(3) Bond Issuances

On April 10, 2001, the voters of the County passed Proposition A, a \$1.2 billion General Obligation (G.O.) Bond Measure.

**UNAUDITED SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF BOND PROCEEDS**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from May 20, 2003 (inception) through June 30, 2016

(Unaudited)

	<u>2016 Budget</u>	<u>Period from April 10, 2001 (inception) through June 30, 2016</u>	<u>Reclassifications</u>	<u>Subtotal</u>	<u>Cumulative reimbursements from the State of California as of June 30, 2016</u>	<u>Cumulative expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2016</u>
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 597,765,175	696,614,512	—	696,614,512	(112,931,827)	583,682,685
Construction (renovation)	219,384,678	216,464,194	—	216,464,194	(15,420,311)	201,043,883
Hardscape/landscape	44,105	125,771	—	125,771	—	125,771
Temporary facilities	16,729,415	19,884,056	—	19,884,056	—	19,884,056
Furniture, fixtures, and equipment	34,608,083	46,382,885	—	46,382,885	(13,912,971)	32,469,914
Total structural and equipment costs	<u>868,531,456</u>	<u>979,471,418</u>	<u>—</u>	<u>979,471,418</u>	<u>(142,265,109)</u>	<u>837,206,309</u>
Other costs:						
Land acquisition	41,034,151	43,869,570	—	43,869,570	—	43,869,570
Development and support costs:						
Master planning/EIR	14,464,771	15,259,710	—	15,259,710	(186,299)	15,073,411
Predesign/programming	8,121,142	8,443,216	—	8,443,216	—	8,443,216
Design	128,043,410	138,225,473	54,272	138,279,745	(7,026,739)	131,253,006
Specialty consulting	39,849,493	40,696,353	—	40,696,353	(222,510)	40,473,843
Project management	113,911,719	114,926,738	—	114,926,738	(325,165)	114,601,573
Inspection and testing	34,670,271	34,934,320	448	34,934,768	(886,599)	34,048,169
Construction management	470,516	523,943	—	523,943	(401,473)	122,470
Reimbursable expenditures	10,137,052	6,306,711	—	6,306,711	(34,803)	6,271,908
Total development and support costs	<u>349,668,374</u>	<u>359,316,464</u>	<u>54,720</u>	<u>359,371,184</u>	<u>(9,083,588)</u>	<u>350,287,596</u>
Total college direct costs	<u>1,259,233,981</u>	<u>1,382,657,452</u>	<u>54,720</u>	<u>1,382,712,172</u>	<u>(151,348,697)</u>	<u>1,231,363,475</u>
Programwide costs:						
Program management	76,637,053	78,882,395	—	78,882,395	—	78,882,395
Legal consulting fees	5,802,250	5,767,366	—	5,767,366	—	5,767,366
Compliance and audit fees	2,830,603	2,455,970	—	2,455,970	—	2,455,970
Bond measure election costs	523,743	585,660	—	585,660	—	585,660
Rents and leases	653,481	1,281,244	—	1,281,244	—	1,281,244
Total programwide costs	<u>86,447,130</u>	<u>88,972,635</u>	<u>—</u>	<u>88,972,635</u>	<u>—</u>	<u>88,972,635</u>
Total college direct costs and programwide costs	1,345,681,111	\$ <u>1,471,630,087</u>	<u>54,720</u>	<u>1,471,684,807</u>	<u>(151,348,697)</u>	<u>1,320,336,110</u>
Unallocated interest earned	16,484,906					
Total college direct costs, programwide costs, and unallocated interest earned	\$ <u>1,362,166,017</u>					

See accompanying notes to unaudited supplementary schedule of expenditures of bond proceeds.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from April 10, 2001 (inception) through June 30, 2016

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures for the period from April 10, 2001 (inception) through June 30, 2016.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act) requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the expenditures of proceeds have been expended. Accordingly, the accompanying unaudited statement of expenditures of bond proceeds includes all amounts expended using bond proceeds, regardless of expenditure type, since inception.

The unaudited supplementary schedule of expenditures of bond proceeds includes the following:

(a) Budget

The amounts included within the budget column in the accompanying unaudited supplementary schedule of expenditures of bond proceeds represent reasonable estimates of the costs that will be expended to complete the various projects at each of the Los Angeles Community College District's (the District) colleges.

(b) Cumulative Expenditures

The amounts included within the cumulative expenditures of bond proceeds in the accompanying unaudited supplementary schedule of expenditures of bond proceeds may include reclassifications and reimbursements from other funding sources for the period from April 10, 2001 (inception) through June 30, 2016.

(c) Interest Earned

Interest earned on bond issuances that has not been expended is added to project budgets upon approval by the District. Interest earned that has not yet been approved for specific projects is included in unallocated interest earned.

(d) Cumulative Reimbursements from the State of California

During the period from April 10, 2001 (inception) through June 30, 2016, the District received amounts from the State of California and other non Proposition A funding sources as reimbursement for various multifunded projects. These projects were to be funded by both state funds and bond proceeds. Prior to filing claims and receipt of funds from the state, eligible Proposition A bond proceeds were used to fund the projects. The reimbursements received by the District, totaling \$151,348,697 for the period from April 10, 2001 (inception) through June 30, 2016, have been reflected in the accompanying unaudited supplementary schedule of expenditures of bond proceeds as a reduction of expenditures made with bond proceeds by cost classification on a cumulative basis.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from April 10, 2001 (inception) through June 30, 2016

(Unaudited)

(e) Reclassifications

Certain adjustments and reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2016, which were related to prior years. Such amounts totaling \$54,720 were reclassified from Proposition A to Measure J and Proposition AA.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds and other bond related sources of funds available at June 30, 2016:

Bonds authorized and issued	\$ 1,245,000,000
Other bond related sources of funds:	
Additional proceeds from General Obligation Refunding Bonds, 2005 Series A	12,330,000
Other	743,165
Interest earned for the period from April 10, 2001 (inception) through June 30, 2016	<u>104,092,852</u>
Total bonds authorized, interest earned, and other	1,362,166,017
Less expenditures of bond proceeds for the period from April 20, 2001 (inception) through June 30, 2016	<u>(1,320,336,110)</u>
Total authorized and issued bond funds and other bond related sources of funds available at June 30, 2016	<u>\$ 41,829,907</u>

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Proposition A Bond Construction Program Statement of Expenditures of Bond Proceeds Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, 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 Proposition A Bond Construction Program statement of expenditures of bond proceeds (statement of expenditures of bond proceeds) of the Los Angeles Community College District (the District), for the year ended June 30, 2016, and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the statement of expenditures of bond proceeds, 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 statement of expenditures of bond proceeds, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's statement of expenditures of bond proceeds 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.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 statement of expenditures of bond proceeds is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[(signed) KPMG LLP]

December 7, 2016