

Final Editorial Review Completed

NDPPS USE ONLY	
NDPPS ID:	<u>615509</u>
Contact Name:	<u>Kristen Olko</u>
Special Instructions	_____
_____	_____
_____	Version: <u>2</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION AA 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 AA 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 AA 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 AA 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

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 AA 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 AA Bond Construction Program. The accompanying supplementary schedule of expenditures of bond proceeds of the Proposition AA Bond Construction Program of the District for the period from May 20, 2003 (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 AA BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2016

College direct costs:

Structural and equipment costs:

Construction (new)	\$ 1,270,057
Construction (renovation)	2,768,455
Furniture, fixtures, and equipment	<u>55,587</u>
Total structural and equipment costs	<u>4,094,099</u>

Development and support costs:

Master planning	5,748
Design	874,746
Specialty consulting	74,244
Project management	413,697
Inspection and testing	196,921
Reimbursable expenditures	<u>8,258</u>
Total development and support costs	<u>1,573,614</u>

Total college direct costs	<u>5,667,713</u>
----------------------------	------------------

Programwide costs:

Program management	822,549
Compliance and audit fees	<u>45,000</u>
Total programwide costs	<u>867,549</u>

Total college direct costs and programwide costs	\$ <u><u>6,535,262</u></u>
--	----------------------------

See accompanying notes to statement of expenditures of bond proceeds.

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

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2016

(1) Program Background

In May 2003, the Los Angeles Community College District (the District) electorate approved the passage of a \$980 million property tax financed bond measure under the requirements of the Proposition 39, Smaller Classes, Safer Schools and Financial Accountability Act, of the State of California (the Act), known as Proposition AA (the Program). This Program was intended to supplement the District's \$1.245 billion Proposition A Bond Construction Program of the nine college master plans. The college master plans identify areas for improvement needed to prepare the colleges to meet the future needs of the community and provide a time line for addressing those needs within the next 10 years.

The Program is intended to prepare students for jobs and four-year colleges; train nurses, police, firefighters, and emergency medical personnel; improve health, safety, and security conditions on the campuses of the nine colleges within the District through the construction of computer technology centers to train students for high tech jobs; repair deteriorating classrooms, science laboratories, and libraries; expand educational centers in underserved communities; upgrade heating, plumbing, wiring, roofs, sewers, energy efficiency, and water conservation; improve campus environmental standards, safety, lighting, fire alarms, sprinklers, intercoms, and fire doors; and acquire/improve real property and/or build new classrooms to relieve overcrowding.

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 AA Bond Construction Program totaled \$492,042 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 June 11, 2013, the District issued the 2013 Refunding Bonds (Proposition AA) in the amount of \$55.7 million with interest rates ranging from 2% to 5%, maturing in 2028. This issuance refunded \$62.9 million of the 2003 Series B G.O. Bonds (Proposition AA).

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION AA 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 May 20, 2003 (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 May 20, 2003 (inception) through June 30, 2016</u>
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 333,668,792	371,642,666	—	371,642,666	(54,532,541)	317,110,125
Construction (renovation)	202,336,839	225,554,449	—	225,554,449	(41,868,842)	183,685,607
Temporary facilities	6,306,266	4,615,240	—	4,615,240	—	4,615,240
Furniture, fixtures, and equipment	35,405,294	37,770,255	—	37,770,255	(2,828,479)	34,941,776
Total structural and equipment costs	<u>577,717,191</u>	<u>639,582,610</u>	<u>—</u>	<u>639,582,610</u>	<u>(99,229,862)</u>	<u>540,352,748</u>
Other costs:						
Land acquisition	116,105,679	103,353,733	—	103,353,733	—	103,353,733
Building acquisition	—	19,704,402	—	19,704,402	—	19,704,402
Total other costs	<u>116,105,679</u>	<u>123,058,135</u>	<u>—</u>	<u>123,058,135</u>	<u>—</u>	<u>123,058,135</u>
Development and support costs:						
Master planning/EIR	5,029,516	4,454,527	—	4,454,527	—	4,454,527
Predesign/programming	1,276,326	1,222,490	—	1,222,490	—	1,222,490
Design	65,631,947	72,244,770	(43,429)	72,201,341	(9,255,502)	62,945,839
Specialty consulting	31,161,787	30,810,388	15,030	30,825,418	(80,910)	30,744,508
Project management	74,537,177	73,384,853	—	73,384,853	—	73,384,853
Inspection and testing	23,024,667	22,242,983	2,147	22,245,130	(180,024)	22,065,106
Construction management	—	1,607	—	1,607	—	1,607
Reimbursable expenditures	5,863,911	2,943,321	—	2,943,321	(754,703)	2,188,618
Total development and support costs	<u>206,525,331</u>	<u>207,304,939</u>	<u>(26,252)</u>	<u>207,278,687</u>	<u>(10,271,139)</u>	<u>197,007,548</u>
Total college direct costs	<u>900,348,201</u>	<u>969,945,684</u>	<u>(26,252)</u>	<u>969,919,432</u>	<u>(109,501,001)</u>	<u>860,418,431</u>
Programwide costs:						
Program management	36,026,633	41,282,895	—	41,282,895	—	41,282,895
Legal consulting fees	1,174,092	1,158,475	—	1,158,475	—	1,158,475
Compliance and audit fees	1,358,336	1,259,680	—	1,259,680	—	1,259,680
Bond measure election costs	50,000	1,206,719	—	1,206,719	—	1,206,719
Rents and leases	5,986,183	6,062,392	—	6,062,392	—	6,062,392
Total programwide costs	<u>44,595,244</u>	<u>50,970,161</u>	<u>—</u>	<u>50,970,161</u>	<u>—</u>	<u>50,970,161</u>
Debt refinancing	107,303,489	109,886,025	—	109,886,025	—	109,886,025
Total college direct costs and programwide costs	<u>1,052,246,934</u>	<u>\$ 1,130,801,870</u>	<u>(26,252)</u>	<u>1,130,775,618</u>	<u>(109,501,001)</u>	<u>1,021,274,617</u>
Unallocated interest earned	<u>8,071,184</u>					
Total college direct costs, programwide costs, and unallocated interest earned	<u>\$ 1,060,318,118</u>					

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

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

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

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

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures for the period from May 20, 2003 (inception) through June 30, 2016.

(2) Basis of Presentation

The accompanying unaudited 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 expenditures of proceeds from the sale of the school facilities bonds until all of the 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 May 20, 2003 (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 May 20, 2003 (inception) through June 30, 2016, the District received amounts from the State of California 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 AA bond proceeds were used to fund the projects. The reimbursements received by the District, totaling \$109,501,001 for period from May 20, 2003 (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 AA BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from May 20, 2003 (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 \$26,253 were reclassified to Proposition AA funds from Measure J and Proposition A.

(3) Reconciliation of Bond Proceeds

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

Bonds authorized and issued	\$ 980,000,000
Other bond related sources of funds:	
Interest earned from May 20, 2003 (inception) through June 30, 2016	45,896,063
Proceeds from sale of property purchased with bond funds	29,974,680
Other income	<u>4,447,375</u>
Total other bond related sources of funds	1,060,318,118
Less expenditures of bonds proceeds for the period from May 20, 2003 (inception) through June 30, 2016	<u>(1,021,274,617)</u>
Total authorized and issued bond funds available at June 30, 2016	<u>\$ 39,043,501</u>

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Proposition AA 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 AA 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