

**LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
PERFORMANCE AUDIT**

June 30, 2016



**LONG BEACH
CITY COLLEGE**

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**June 30, 2016
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Long Beach Community College District
Long Beach, California

We have conducted a performance audit of the Long Beach Community College District (the "District"), Measure E, February 2008 General Obligation Bond funds for the fiscal year ended June 30, 2016.

We conducted our performance audit in accordance with *Government 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 pages 3-4 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure E, February 2008 General Obligation Bonds under Section 1(b)(3)(C) of Article XIII A of the California Constitution. 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. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure E, February 2008 General Obligation Bond funds for the year ended June 30, 2016, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

VICENTI, LLOYD AND STUTZMAN LLP
Glendora, California
December 1, 2016

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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 districts and community colleges, under certain circumstances and subject to certain conditions.

In February 2008, a general obligation bond proposition (Measure E, February 2008) of the Long Beach Community College District was approved by the voters of the District. Measure E, February 2008 authorized the District to issue up to \$440 million of general obligation bonds. Proceeds from the sale of the bonds will be used to finance the renovation of science, nursing, police and firefighting classrooms' upgrade classroom technology and high-tech training labs; repair aging roofs, electrical plumbing, heating, ventilation; and upgrade/construct/equipment/acquire classrooms, facilities, and sites as well as the repayment of certain lease obligations of the District.

In June 2016, a general obligation bond proposition (Measure LB, June 2016) of the Long Beach Community College District was approved by the voters of the District. Measure LB, June 2016 authorized the District to issue up to \$850 million in general obligation bonds. Proceeds from the sale of the bonds will be used to finance various capital projects, and related costs, as specified in the bond measure provisions. In September 2016, the District issued bonds under Measure LB. Expenditures associated with the new Measure will be included in future reports.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees 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 made using the proceeds of the bonds issued pursuant to the Measure E, February 2008 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 Bond Construction Fund have been expended only for the authorized bond projects.

A summary of Measure E, February 2008 bond funds, expenditures to date, and remaining funds is as follows. Measure E, February 2008 Bond Program funds include amounts that have been issued and amounts to be issued in the future. This summary of Measure E, February 2008 expenditures is based on the District's books and records and is provided for information purposes only. This expenditure summary reflects financial totals provided by District Management (Management).

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2008 Measure E Approved Proceeds	\$ 440,000,000
Premium on Bond Issuance, Net of Costs	16,534,331
Bond Anticipation Note	180,480,000
Interest Earned	<u>6,148,432</u>
Total 2008 Measure E Bond Program Funds	<u>643,162,763</u>

Expenditures to Date:

July 1, 2008 - June 30, 2009	(46,822,044)
July 1, 2009 - June 30, 2010	(22,154,680)
July 1, 2010 - June 30, 2011	(56,796,506)
July 1, 2011 - June 30, 2012	(39,017,680)
July 1, 2012 - June 30, 2013*	(198,311,180)
July 1, 2013 - June 30, 2014	(37,486,848)
July 1, 2014 - June 30, 2015	(47,068,458)
July 1, 2015 - June 30, 2016	<u>(20,242,712)</u>
Total 2008 Measure E Bond Program Expenditures	(467,900,108)

Remaining Bond Funds as of July 2016 \$ 175,262,655

*The Fiscal Year 2013 expenditures include BAN principal and interest repayment of \$165.1 million.

The Bond Anticipation Note (BAN) was issued on January 7, 2010, for the total principal and premium amount of \$180.5 million. The BAN was issued to provide interim financing between general obligation bond issues for the voter approved projects and was paid off as scheduled on January 15, 2013.

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the District Bond Construction Fund.
- Determine whether expenditures charged to the Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure E in February 2008.
- Determine compliance with specific bidding requirements related to the bond expenditures.

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- Note any incongruities or system weaknesses, or non-compliance with specific Education Code Sections related to oversight of fund expenditures 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, 2015 to June 30, 2016. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other 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, 2016, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016 for the Measure E, February 2008 Bond Construction Fund. 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 E, February 2008 with regards to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure E, February 2008 election documents.
- We selected a sample of expenditures from the Measure E, February 2008 Bond Construction Fund for the fiscal year ended June 30, 2016 and reviewed supporting documentation to ensure applicable bidding requirements were followed and the funds were properly expended on authorized bond projects.
- The District expended \$20,242,712 of Measure E, February 2008 funds for the fiscal year ended June 30, 2016. We selected a sample of expenditures totaling \$12,309,746 which is 61% of expenditures.
- We verified that funds from the Measure E, February 2008 Bond Construction Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified

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that funds held in the Bond Construction Fund were not used for salaries of school administrators or other operating expenses of the District.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Long Beach Community College District has properly accounted for the expenditures of the funds held in the Measure E, February 2008 Bond Construction Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure E, February 2008 Bond Construction Fund and expended by the District 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 requirements of Proposition 39, as specified by Section 1(b)(3)(c) of Article XIII A of the California Constitution and certain provisions of the California Education Code.

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**SCHEDULE OF BOND PROJECTS SUMMARY
June 30, 2016**

Project Name	Adjusted Budget	Total Project	2015-16 Actual Costs	Total Projects
		Costs Through June 30, 2015		Costs Through June 30, 2016
Block Grant	\$ 2,781	\$ 2,780	\$	\$ 2,780
Technology Building PCC Capital Project	(4,415)	(4,415) *		(4,415)
Industrial Technology Center	658,763	658,764		658,764
Learning Resource Center LAC	736,503	736,223	280	736,503
Learning Resource Center PCC	12,735	12,734		12,734
Bond Anticipation Notes	195,543,527	195,543,527	3	195,543,530
Administrative Costs	5,435,302	3,831,034	936,139	4,767,173
South Quad Complex	2,559,547	2,747,194	(187,648) *	2,559,546
Interim Housing LAC Tech 2	7,101	7,101		7,101
Los Coyotes Building	321,598	321,598		321,598
Infrastructure Phase 1 LAC	(9,468)	(9,468) *		(9,468)
Building Q & R Improvements	71,580	71,580		71,580
Document Imaging	72,206	72,206		72,206
Building A Student Services Retro	15,124,644	15,124,644		15,124,644
LAC Infrastructure Construction	2,443,495	2,442,295	1,200	2,443,495
LAC Infra Utility Connection	5,621,857	5,621,857		5,621,857
Building Z Retrofit Facilities W/H	233,601	233,601		233,601
Central Plant Support - LAC	159,954	159,954		159,954
Multi-Disp. Complex AA, BB, DD, EE	33,464,935	32,028,521	1,137,953	33,166,474
So East Interim Bungalows, PCC	2,506	987	1,519	2,506
Infrastructure Phase 1 PCC	126,849	126,849		126,849
PCC Infrastructure Construction	11,633	11,632		11,632
PCC Infra Utility Connection	948,895	948,895		948,895
Central Plant Support - PCC	159,954	159,954		159,954
Campus Improvements	3,562,465	2,743,443	377,801	3,121,244
EleCenteronic Signage	498,699	498,699		498,699
Parking Structure	21,615,442	21,615,444		21,615,444
Surface Parking Improvement	2,648,000	2,102,310		2,102,310
Energy Projects	10,800,488	10,800,487		10,800,487
Circulation Access	2,946,189	1,644,819		1,644,819
Planning	36,000	36,000		36,000
Campus Landscaping	13,140,000	12,757,948	(283,214) *	12,474,734
Math Tech Building/Culinary Arts	43,658,812	35,736,593	3,263,045	38,999,638
Debt Service	30,502,449	30,502,449		30,502,449
Contingencies	8,108,835			-
Science Building D	12,288,103	395,606	1,183,675	1,579,281
Outdoor Physical Education Labs	4,263,711	56,731		56,731
Liberal Arts Building (M/N)	33,010,435	67,983		67,983
Family/Consumer Ed Building F	1,010,729	10,729		10,729
College Center Building E	18,417,773	180,008	108,779	288,787
Language Arts Building P	8,670,713	276,836	897,527	1,174,363

* Rebates and/or settlements received.

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**SCHEDULE OF BOND PROJECTS SUMMARY
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Project Name	Adjusted Budget	Total Project	2015-16 Actual Costs	Total Projects
		Costs Through June 30, 2015		Costs Through June 30, 2016
Child Development Center	140,713	140,713		140,713
Nursing Tech Building C	11,650,560	7,558,005	3,782,081	11,340,086
Stadium Building S	4,014,950	953,483		953,483
Primary Gymnasium	505,735	155,787	211,086	366,873
Tech Studies Building B	46,895	46,894	(420) *	46,474
Secondary Gym Building Q	404,115	91,914		91,914
Art Building K	1,878,570	187,360		187,360
Swimming Pool Facility	650,574	300,216	1,318	301,534
Auditorium Building J	24,629,548	397,740	768,365	1,166,105
Foundation Building I	5,573,760	5,573,760		5,573,760
Acquisitions LAC	18,514,279	18,514,280		18,514,280
Performing Arts - Building G	9,752,596	66,513		66,513
Performing Arts - Building H	2,845,899			-
Camera Security System	6,000,000	80,539	577,875	658,414
Classroom Lockdown Project	500,000		26,903	26,903
Campus Improvements	798,390	407,825	31,710	439,535
Electronic Signage	373,644	373,644		373,644
Surface Parking Improvement	717,689	717,688		717,688
Energy Projects	3,058,310	3,058,311		3,058,311
Circulation Access	1,193,712	829,654	40,563	870,217
Campus Landscaping	3,260,000	512,391	11,895	524,286
Building JJ	1,754,282	408,301	306,387	714,688
Contraction Trades Building M	11,940,987	476,725		476,725
Student Services Center	23,440,699	15,830,805	4,834,899	20,665,704
Fitness Center	7,554,159	7,554,161		7,554,161
Fine Arts/Senior Center Building F	1,105,190			-
Auto Building/Diesel Building Q & R	20,302,962	1,474,939	2,212,991	3,687,930
Sheet Metal Move	671,952	671,952		671,952
Acquisitions PCC	997,667	997,664		997,664
Project Totals	\$ 643,162,763	\$ 447,657,396	\$ 20,242,712	\$ 467,900,108

* Rebates and/or settlements received.