

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND**  
**MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**  
**FINANCIAL AUDIT**

**June 30, 2017**

**LONG BEACH COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016  
BOND CONSTRUCTION FUNDS  
FINANCIAL AUDIT**

**June 30, 2017  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Long Beach Community College District (the District) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 4, 2017. We have also audited the accompanying financial statements of the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) of the District as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and

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

the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present fairly only the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2017, or the change in its financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**


#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017 on our consideration of the District's internal control over the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) 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 that report is solely 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 effectiveness of the District's internal control over the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
December 4, 2017

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

In accordance with Section 1(b)(3)(D) of Article XIII A of the California Constitution, the Long Beach Community College District (the District) conducted an annual, independent financial audit of our General Obligation Bond Construction Funds. This section provides an overview and analysis of the financial activities of the General Obligation Bond Construction Funds of the District for the fiscal year ended June 30, 2017, with comparative information for fiscal year ended June 30, 2016. The funds were established after the February 2008 election (Measure E) and the June 2016 election (Measure LB). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

**INTRODUCTION AND BACKGROUND**

The District operates two separate General Obligation Bond Funds to report the activity of bond measures passed by residents within the District: one for Measure E and one for Measure LB. The elections were conducted under Proposition 39, being chaptered as the Strict Accountability in Local School Construction Bonds Act of 2000, at Section 15264 et seq. of the California Education Code (“Prop 39”).

Measure E was on the local ballot on February 5, 2008. The ballot measure asked local voters:

“to qualify for State matching funds that will better prepare Long Beach college students for high demand jobs, shall Long Beach Community College District renovate science, nursing, police, and firefighting classrooms, upgrade classroom technology and high tech training labs; repair aging roofs, electrical, plumbing, heating, and ventilation; and upgrade/construct/equip/acquire classrooms, facilities, sites; by issuing \$440 million in bonds, at legal rates, with citizens oversight, mandatory audits, and all funds staying local to improve Long Beach City College facilities?”

The voters overwhelmingly approved the Measure E with a 73.22% pass rate.

Measure LB was on the local ballot on June 7, 2016. The ballot measure asked local voters:

“to prepare students/veterans for jobs/universities by: building/upgrading classrooms/laboratories, for health services, small businesses, police, firefighting, technology/other careers; improving deteriorating gas/electrical/sewer lines/leaky roofs, earthquake safety, security and repairing/constructing/acquiring facilities, fields and equipment, shall Long Beach Community College District issue \$850,000,000 in bonds at legal rates, requiring citizens’ oversight, independent audits, no money for administrators’ salaries/pensions, with funds used locally?”

The voters approved Measure LB with a 64.48% pass rate.

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**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

The voters approved Measure LB with a 64.48% pass rate.

The General Obligation Bond Funds are overseen by a Citizens’ Oversight Committee comprised of the following nine members:

<b>Member Name</b>	<b>Member Type</b>
Eric Berg	Senior Citizens’ Organization Member Representative
Sharon Diggs-Jackson	Community-at-large Representative
Joan Greenwood	Community-at-large Representative
Randy Gordon	Local Business Community Representative
Elaine McDaniel	Community-at-large Representative
Aaron Moore	Support Organization for the College Representative
Javier Salcedo	Associated Student Body Representative
David See	Bona Fide Taxpayer Organization Member Representative
Stella Ursua	Community-at-large Representative

The Citizen’s Oversight Committee is charged with informing the public, reviewing expenditures, and preparing an annual report. They meet each January and August and receive expenditure reports and construction updates quarterly.

For the fiscal year ended June 30, 2017, the major expenditures were on Science Building D, Language Arts Building P, Auditorium Building J, Camera Security System/Districtwide Security Monitoring System, and Auto Building/Diesel Building Q &R.

**FINANCIAL HIGHLIGHTS**

The restricted fund balance of Long Beach Community College District Bond Funds at the close of fiscal year 2017 is \$9,063 for Measure E and \$78,866,532 for Measure LB. All of the fund balance is available to meet the District’s ongoing obligations for its bond projects.

Funding for the Bond Funds is derived from general obligation bond proceeds and related premiums and interest income. Funds are restricted to be used for District bond projects including building construction, renovation and related furniture and equipment purchases. Bonds are issued as needed to fund District bond projects. Generally, the District issues bonds needed to fund three years of projects. Fund balances decline as projects continue, then they increase when the next bonds are issued.

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**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis are intended to serve as an introduction to the District's bond fund financial statements, which comprises these components:

1. Balance Sheet
2. Statement of Revenues, Expenditures, and Changes in Fund Balance

**The Balance Sheet** is a snapshot of account balances at year end. It indicates the assets available for future payments for bond projects and any current liabilities that are owed at this time.

**The Statement of Revenues, Expenditures, and Changes in Fund Balance** provides a view of current year revenue and expenditures. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the modified accrual method of accounting. The District complies with all material requirements of these pronouncements.

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report information about the District's bond fund activities. These statements include all assets and liabilities, using the modified accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.



**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
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**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

Comparisons of the balance sheets for Measure E and Measure LB are presented below:

<b>Measure E</b>			
<b>Balance Sheet</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Assets</b>			
Cash in county treasury	\$ 3,209,998	\$ 22,513,040	-86%
Accounts receivable	47,806	72,223	-34%
Prepaid expenditures	280,150	378,594	-26%
<b>Total Assets</b>	<b>\$ 3,537,954</b>	<b>\$ 22,963,857</b>	<b>-85%</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,528,891	\$ 2,323,527	52%
<b>Total Liabilities</b>	<b>3,528,891</b>	<b>2,323,527</b>	<b>52%</b>
<b>Fund Balance</b>			
Restricted	9,063	20,640,330	-100%
<b>Total Fund Balance</b>	<b>9,063</b>	<b>20,640,330</b>	<b>-100%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,537,954</b>	<b>\$ 22,963,857</b>	<b>-85%</b>

- Cash and total assets decreased over \$19 million due to expenditures for bond projects during the 2016-17 fiscal year net of bond proceeds and interest income.
- Accounts payable represents expenses that were incurred as of the end of the fiscal year, but not paid until the following year. There were more projects that incurred expenses late in fiscal year 2016-17, which resulted in a \$1.2 million increase in accounts payable.
- Fund balance decreased over \$20 million due to spending down the bond proceeds for bond construction and renovation projects as planned.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

<b>Measure LB</b>			
<b>Balance Sheet</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Assets</b>			
Cash in county treasury	\$ 80,571,680	\$ -	100%
Accounts receivable	385,118	-	100%
Prepaid expenditures	-	-	0%
<b>Total Assets</b>	<b>\$ 80,956,798</b>	<b>\$ -</b>	<b>100%</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,090,266	\$ 658,000	218%
<b>Total Liabilities</b>	<b>2,090,266</b>	<b>658,000</b>	<b>218%</b>
<b>Fund Balance</b>			
Restricted	78,866,532	(658,000)	12086%
<b>Total Fund Balance</b>	<b>78,866,532</b>	<b>(658,000)</b>	<b>12086%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 80,956,798</b>	<b>\$ -</b>	<b>100%</b>

- Cash and total assets increased over \$80 million due to the issuance of bonds less the expenditures for bond projects.
- Accounts payable increased \$1.4 million because this fund was formed at the end of the 2015-16 fiscal year and project expenditures had not yet begun.
- Fund balance increased \$79.5 million due to the proceeds from the bond issuance less the expenditures for bond projects.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSTRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

Comparisons of the statements of revenues, expenditures, and changes in fund balance for Measure E and Measure LB are presented below:

<b>Measure E</b> <b>Statement of Revenues, Expenditures, and</b> <b>Changes in Fund Balance</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
Revenues			
Interest and investment income	\$ 168,582	\$ 254,156	-34%
Total revenues	<u>168,582</u>	<u>254,156</u>	-34%
Expenditures			
Salaries	145,526	153,206	-5%
Benefits	69,473	67,668	3%
Supplies	8,586	224,420	-96%
Other services	6,248,116	6,125,577	2%
Capital outlay	<u>17,538,148</u>	<u>13,671,841</u>	28%
Total Expenditures	<u>24,009,849</u>	<u>20,242,712</u>	19%
Deficiency of revenue over expenditures	<u>(23,841,267)</u>	<u>(19,988,556)</u>	19%
Other Financing Sources			
Proceeds from sale of bonds	<u>3,210,000</u>	<u>-</u>	100%
Total Other Financing Sources	<u>3,210,000</u>	<u>-</u>	100%
Net change in fund balance	(20,631,267)	(19,988,556)	3%
Fund Balance at Beginning of Year	20,640,330	40,628,886	-49%
Fund Balance at End of Year	<u>\$ 9,063</u>	<u>\$ 20,640,330</u>	-100%

- Total expenditures increased \$3.8 million due to the slight increase in bond project activity. Bond project expenditures in this fund have ranged from \$20 to \$56 million annually. Expenditures change due to many factors including construction plans, approvals, performance of contractors and the need to minimize disruption on the campuses due to construction work.
- Proceeds from sale of bonds of \$3.2 million is the par value of the Series D bonds that were issued in September 2016.

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**Management Discussion and Analysis**  
**June 30, 2017**

**Measure LB**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance**

<u>Changes in Fund Balance</u>	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Revenues			
Interest and investment income	\$ 720,091	\$ -	100%
Total revenues	<u>720,091</u>	<u>-</u>	100%
Expenditures			
Salaries	-	-	0%
Benefits	-	-	0%
Supplies	-	-	0%
Other services	1,054,949	658,000	60%
Capital outlay	<u>3,069,137</u>	<u>-</u>	100%
Total Expenditures	<u>4,124,086</u>	<u>658,000</u>	527%
Deficiency of revenue over expenditures	<u>(3,403,995)</u>	<u>(658,000)</u>	417%
Other Financing Sources			
Proceeds from sale of bonds	<u>82,928,527</u>	<u>-</u>	100%
Total Other Financing Sources	<u>82,928,527</u>	<u>-</u>	100%
Net change in fund balance	79,524,532	(658,000)	12186%
Fund Balance at Beginning of Year	(658,000)	-	100%
Fund Balance at End of Year	<u>\$ 78,866,532</u>	<u>\$ (658,000)</u>	12086%

- Most balances increased significantly or 100% due to the fact that this fund was formed at the end of the 2015-16 fiscal year and project expenditures had not yet begun. The only expense in 2015-16 was the accrual for the estimated bond election expense.
- Proceeds from sale of bonds represents the \$81.8 million in par value plus the \$1.1 in bond premiums from the Series A and B bonds, which were issued September 2016.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

**OTHER INFORMATION**

**Selected Highlights**

The District continues to make significant progress with the construction of new facilities and the renovation of existing facilities including:

<b>Location/Project</b>	<b>% Complete</b>
<u>Liberal Arts Campus</u>	
Building D, First and Second Floors Modernization	45%
Language Arts Department (Building P) Modernization	10%
<u>Pacific Coast Campus</u>	
New Classroom Building QQ/Building RR Renovation	95%
<u>Both Campuses</u>	
District-wide Security Monitoring System	60%

Projects in the planning and design stages are:

- Auditorium (Building J) – Liberal Arts Campus
- Water Conservation Project – Pacific Coast Campus
- Parking Structure (Building P2) – Pacific Coast Campus
- Construction Trades (Building MM) Renovation – Pacific Coast Campus
- Kinesiology Labs and Aquatic Center (Building W) – Liberal Arts Campus
- Liberal Arts Classroom (Building M) – Liberal Arts Campus

These projects are funded through the District’s \$440 million (Measure E, February 2008) and \$850 million (Measure LB, June 2016) general obligation bond programs.

**Economic Factors Affecting the Future of the Long Beach Community College District**

**Credit Ratings.** The District’s bond ratings are Aa2 from Moody’s and AA from Standard and Poors. The Standard and Poors rating represents an upgrade to the District’s rating, which was received in October 2017. It is estimated that this upgrade to AA from AA- will save the District at least 5 basis points when issuing general obligation bonds.

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**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 and MEASURE LB, JUNE 2016**  
**BOND CONTRSRUCTION FUNDS**

**Management Discussion and Analysis**  
**June 30, 2017**

**Subsequent Bond Issuance.** The District is issuing \$83.49 million in 2017 General Obligation Refunding bonds to advance refund certain Measure E 2008 Series B outstanding bonds. The bonds are scheduled to close on December 14, 2017. The refunding will result in an estimated present value savings in cash flow of \$21.3 million.

**Contacting the District**

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact John Thompson, Director of Fiscal Services, via mail at: Long Beach Community College District, 4901 E. Carson Street – Y14, Long Beach, CA 90808, via phone by calling (562) 938-4102, or via email at [jthompson@lbcc.edu](mailto:jthompson@lbcc.edu).

**FINANCIAL SECTION**

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**BALANCE SHEET**  
**June 30, 2017**

	<b>Measure E</b>	<b>Measure LB</b>
<b><u>Assets</u></b>		
Cash in county treasury	\$ 3,209,998	\$ 80,571,680
Accounts receivable	47,806	385,118
Prepaid expenditures	280,150	-
<b>Total Assets</b>	<b>\$ 3,537,954</b>	<b>\$ 80,956,798</b>
 <b><u>Liabilities and Fund Balance</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 3,528,891	\$ 2,090,266
<b>Total Liabilities</b>	<b>3,528,891</b>	<b>2,090,266</b>
 <b>Fund Balance</b>		
Restricted	9,063	78,866,532
<b>Total Fund Balance</b>	<b>9,063</b>	<b>78,866,532</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,537,954</b>	<b>\$ 80,956,798</b>

See accompanying notes to the financial statements.



**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Measure E</b>	<b>Measure LB</b>
<b>Revenues</b>		
Interest and investment income	\$ 168,582	\$ 720,091
<b>Total Revenues</b>	168,582	720,091
<b>Expenditures</b>		
Salaries	145,526	-
Benefits	69,473	-
Supplies	8,586	-
Other services	6,248,116	1,054,948
Capital outlay	17,538,148	3,069,138
<b>Total Expenditures</b>	24,009,849	4,124,086
Deficiency of revenue over expenditures	(23,841,267)	(3,403,995)
<b>Other Financing Sources</b>		
Proceeds from sale of bonds	3,210,000	82,928,527
<b>Total Other Financing Sources</b>	3,210,000	82,928,527
Net change in fund balance	(20,631,267)	79,524,532
<b>Fund Balance at Beginning of Year</b>	20,640,330	(658,000)
<b>Fund Balance at End of Year</b>	\$ 9,063	\$ 78,866,532

See accompanying notes to the financial statements.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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

**Accounting Policies**

The accompanying financial statements have been prepared in conformity with U.S. 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.

Cash in the County Treasury is recorded at cost, which approximates fair value.

**Financial Reporting Entity**

The financial statements include only the Measure E, February 2008 and Measure LB, June 2016 Bond Construction Funds of the Long Beach Community College District (“the District”). These funds were established to account for the proceeds of general obligation bonds issued under the General Obligation Bond election of February 2008 for Measure E and June 2016 for Measure LB and to account for the project expenditures authorized by each measure. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

**Basis of Accounting**

The Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) of the District are 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).

**Fund Structure**

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) related to the current reporting period. Fund 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.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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

**Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Restricted fund balances are amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The fund balance of the Bond Construction Funds is therefore classified as restricted.

Balances at June 30, 2017 were restricted for the following uses:

- |   |               |
|---|---------------|
| • Capital Projects (Measure E, February 2008) | \$ 9,063      |
| • Capital Projects (Measure LB, June 2016)    | \$ 78,866,532 |

**Capital Assets and Long-Term Debt**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) are determined by its measurement focus. The 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 Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) are accounted for in the basic financial statements of the District.

**Estimates**

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 COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2: CASH IN COUNTY**

In accordance with the *Budget and Accounting Manual* and Education Code Section 15146(g), the District maintains its cash related to the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) in the Los Angeles County Treasury (the County) 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 Bond Construction Funds' – (Measure E, February 2008 and Measure LB, June 2016) deposits in this pool as of June 30, 2017, as provided by the pool sponsor, was approximately 99.40% of amortized cost and is based upon the District's pro-rata share of the fair value for the entire portfolios (in relation to the amortized cost of the portfolio). The District's deposits in the fund are considered to be highly liquid.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53635, 53601, and 53648. The county is restricted 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. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 3: BONDED DEBT**

**Measure E, February 2008**

On February 5, 2008, \$440 million in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure E. 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.

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2017</u>
Series A - (1)	7/24/2008	6/1/2012 to 6/1/2033	3.59-5.45%	\$ 48,373,981	\$ 16,586,797
Series B - (2)	12/12/2012	8/1/2013 to 8/1/2049	2.00-5.00%	237,003,695	227,048,695
Series C - (3)*	3/11/2014	8/1/2016 to 8/1/2026	0.66-4.100%	11,825,000	9,630,000
Series F - (4)**	6/25/2015	6/1/2016 to 5/1/2030	2.00-5.00%	20,345,000	18,705,000
Series D	9/7/2016	8/1/2018 to 8/1/2019	1.046-1.269%	3,210,000	3,210,000
Total					<u>\$ 275,180,492</u>

\* Refunding Bonds 2014 Series C - refunded portions of the Series A (2008) bonds.

\*\* Refunding Bonds 2015 Series F - refunded portions of the Series A (2008) bonds.

- (1) \$23,383,981 of the general obligation bonds were issued as Capital Appreciation Bonds. The capital appreciation bonds were issued with maturity dates of June 1, 2012 through June 1, 2018 and June 1, 2027 through June 1, 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Recognition of accreted interest is accounted for as a component of long-term debt in the District's basic financial statements.
- (2) \$4,827,984 and \$50,630,711 of the general obligation bonds were issued as Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, respectively. The capital appreciation bonds were issued with maturity dates of August 1, 2033 and August 1, 2034. The convertible capital appreciation bonds will convert to current interest bonds that will mature on August 1, 2049. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Recognition of accreted interest is accounted for as a component of long-term debt in the District's basic financial statements. The bonds were issued with a premium of \$23,938,860 of which \$16,534,331 was recorded in the Bond Construction Fund for payment of costs of issuance and the District's BAN repayment.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 3: BONDED DEBT**

- (3) The general obligation refunding bonds were issued to partially refund the Series A bonds. Proceeds in the amount of \$10,114,154 were deposited in an escrow fund and will be used to fund the future required principal and interest payments of the refunded bonds. \$1,500,000, net of costs of issuance were deposited into the District's Bond Interest and Redemption Fund for debt service.
- (4) The general obligation refunding bonds were issued to partially refund the Series A bonds. Proceeds in the amount of \$23,635,083 were deposited in an escrow fund and will be used to fund the future required principal and interest payments of the refunded bonds.

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2018	\$ 3,560,693	\$ 829,307	\$ 8,751,009	\$ 13,141,009
2019	4,245,000	-	8,696,575	12,941,575
2020	5,965,000	-	8,559,539	14,524,539
2021	5,070,000	-	8,368,162	13,438,162
2022	5,675,000	-	8,150,586	13,825,586
2023-2027	39,931,421	2,933,579	35,846,611	78,711,611
2028-2032	41,459,159	24,400,840	27,241,225	93,101,224
2033-2037	36,468,508	14,426,492	49,495,300	100,390,300
2038-2042	66,970,000	-	40,485,250	107,455,250
2043-2047	42,111,516	40,733,484	24,261,863	107,106,863
2048-2050	23,724,195	35,915,804	4,336,988	63,976,987
Total Debt Service	<u>\$ 275,180,492</u>	<u>\$ 119,239,506</u>	<u>\$ 224,193,108</u>	<u>\$ 618,613,106</u>

**Measure LB, June 2016**

On June 7, 2016, \$850 million in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure LB. 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.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 3: BONDED DEBT**

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2017</u>
Series A	9/7/2016	8/1/2017	0.93%	\$ 9,000,000	\$ 9,000,000
Series B	9/7/2016	8/1/2013 to 8/1/2046	2.00-4.00%	72,790,000	72,790,000
Total					<u>\$ 81,790,000</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 13,225,000	\$ 2,739,800	\$ 15,964,800
2019	14,715,000	2,361,400	17,076,400
2020	13,260,000	1,801,900	15,061,900
2021	-	1,536,700	1,536,700
2022	-	1,536,700	1,536,700
2023-2027	1,350,000	7,610,225	8,960,225
2028-2032	3,690,000	7,174,557	10,864,557
2033-2037	6,830,000	6,356,276	13,186,276
2038-2042	11,250,000	4,704,000	15,954,000
2043-2047	17,470,000	1,862,000	19,332,000
Total Debt Service	<u>\$ 81,790,000</u>	<u>\$ 37,683,558</u>	<u>\$ 119,473,558</u>

**Debt Repayment**

The repayment of debt related to the general obligation bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the District's basic financial statements. The recognition of premiums on bonds is recorded as long-term liabilities in the basic financial statements of the District.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 4: PURCHASE COMMITMENTS**

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for the bond projects totaling approximately \$19.2 million to be funded through general obligation bond proceeds.

**NOTE 5: SUBSEQUENT EVENTS**

**General Obligation Bonds – Measure E (2008)**

The District intends to sell \$83.490 million in 2017 General Obligation Refunding bonds to advance refund certain Measure E (2008), Series B outstanding bonds. The refunding bonds have a scheduled delivery date of December 12, 2017. The bonds priced to sell with interest rates ranging from 2.00% to 5.00% and maturity dates from August 1, 2018 through August 1, 2039. The refunding will result in an estimated present value savings in cash flow of \$21,366,210.



**OTHER INDEPENDENT AUDITOR'S REPORT**

**INDEPENDENT AUDITOR’S 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***

The Board of Trustees  
The Citizens’ Oversight Committee  
Long Beach Community College District  
Long Beach, CA

We have audited, 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, the financial statements of the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) of the Long Beach Community College District (the District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) financial statements, and have issued our report thereon dated December 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements 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.

**INDEPENDENT AUDITOR’S 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***


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. 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 District’s Bond Construction Funds’ (Measure E, February 2008 and Measure LB, June 2016) 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*.

**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.



CliftonLarsonAllen LLP  
Glendora, California  
December 4, 2017

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE E, FEBRUARY 2008 AND MEASURE LB, JUNE 2016**  
**BOND CONSTRUCTION FUNDS**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2017**

There were no findings related to the Bond Construction Funds (Measure E, February 2008 and Measure LB, June 2016) financial statements for the fiscal years ended June 30, 2017 and June 30, 2016.