

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E, FEBRUARY 2008 AND
MEASURE LB, JUNE 2016
PERFORMANCE AUDIT

June 30, 2018

**LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
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PERFORMANCE AUDIT**

June 30, 2018

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INDEPENDENT AUDITORS' 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 and Measure LB, June 2016 bond funds for the fiscal year ended June 30, 2018.

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 2-3 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure E, February 2008 and Measure LB, June 2016 General Obligation Bonds under the applicable provisions of 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 and Measure LB, June 2016 bond funds for the year ended June 30, 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 30, 2018

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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 bonds 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/equip/acquire classrooms, facilities, and sites; and repay certain lease obligations of the District.

In June 2016, a general obligation bonds 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.

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 and Measure LB, June 2016 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 Funds have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the Measure E, February 2008 and Measure LB, June 2016 bond funds.
- Determine whether expenditures charged to the Measure E, February 2008 and Measure LB, June 2016 bond funds have been made in accordance with the bond project list developed by

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the District's Board of Trustees, and approved by the voters, through the approval of Measure E in February 2008 and Measure LB in June 2016.

- Determine that amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure E, February 2008 and Measure LB, June 2016 projects as allowable per Opinion 04-110 issued on November 29, 2004 by the State of California Attorney General.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2017 to June 30, 2018. 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, 2018, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bonds proceeds by obtaining the general ledger and project listing for the Measure E, February 2008 and the Measure LB, June 2016 Bond Construction Funds.
- We selected a judgmental sample of expenditures for supplies, services and capital outlay considering all projects for the Measure E, February 2008 and Measure LB, June 2016 Bond Construction Funds for the fiscal year ended June 30, 2018. The District expended \$3,645 of Measure E, February 2008 Bond Construction Funds and \$25,488,395 of Measure LB, June 2016 Bond Construction Funds for the fiscal year ended June 30, 2018. We selected a sample of 75 non-salary expenditures totaling \$15,346,245, which is 61% of total non-salary expenditures of \$25,253,459.
 - We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Properly expended on the authorized bond projects as listed on the voter-approved bond project lists.
- Our testing of expenditures of the \$238,581 for salaries and benefits included an analysis of the employees charged to the Measure LB, June 2016 Bond Construction Fund. There were

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no salary and benefit expenditures charged to the Measure E, February 2008 Bond Construction Fund.

- We reviewed the payroll expenditure activity and job descriptions to determine that the amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure LB, June 2016 bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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 and Measure LB, June 2016 Bond Construction Funds and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure E, February 2008 and Measure LB, June 2016 Bond Construction Funds and expended by the District were used for salaries and benefits only to the extent allowable.

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SUMMARY OF BOND PROGRAM ACTIVITY

A summary of Measure E, February 2008 and Measure LB, June 2016 bond proceeds, expenditures to date, and remaining funds is included below. Measure E, February 2008 and Measure LB, June 2016 bond program activity include amounts that have been issued and amounts to be issued in the future. This summary of Measure E, February 2008 and Measure LB, June 2016 Bond Construction Funds 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).

| | |
|--|-----------------------|
| 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>6,324,196</u> |
| Total 2008 Measure E Bond Program Funds | <u>643,338,527</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 | (20,242,712) |
| July 1, 2016 - June 30, 2017 | (24,009,849) |
| July 1, 2017 - June 30, 2018 | <u>(3,645)</u> |
| Total 2008 Measure E Bond Program Expenditures | <u>(491,913,602)</u> |
| Remaining Bond Funds as of July 1, 2018 | <u>\$ 151,424,925</u> |

*The Fiscal Year 2013 expenditures include Bond Anticipation Note (BAN) principal and interest repayment of \$165.1 million.

The 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.

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| | |
|--|------------------------------|
| 2016 Measure LB Approved Proceeds | \$ 850,000,000 |
| Premium on Bond Issuance, Net of Costs | 1,138,527 |
| Interest Earned | <u>1,861,145</u> |
| Total 2016 Measure LB Bond Program Funds | <u>852,999,672</u> |
| Expenditures to Date: | |
| July 1, 2015 - June 30, 2016 | (658,000) |
| July 1, 2016 - June 30, 2017 | (4,124,086) |
| July 1, 2017 - June 30, 2018 | <u>(25,488,395)</u> |
| Total 2008 Measure E Bond Program Expenditures | <u>(30,270,481)</u> |
| Remaining Bond Funds as of July 1, 2018 | <u><u>\$ 822,729,191</u></u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF MEASURE E, FEBRUARY 2008
BOND PROJECTS SUMMARY
June 30, 2018**

| Project Name | Adjusted Budget | Total Projects | | 2017-18 Actual Costs | Total Projects | |
|---|-----------------|--------------------------------|----|-------------------------|--------------------------------|--|
| | | Costs Through June 30, 2017 | | | Costs Through June 30, 2018 | |
| Block Grant | \$ 2,781 | \$ 2,781 | \$ | \$ | \$ 2,781 | |
| 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 | 736,503 | | | 736,503 | |
| Learning Resource Center PCC | 12,735 | 12,734 | | | 12,734 | |
| Bond Anticipation Notes | 195,543,527 | 195,543,527 | | | 195,543,527 | |
| Administrative Costs | 5,435,302 | 5,168,581 | | (4,439) | 5,164,142 | |
| South Quad Complex | 2,559,547 | 2,559,546 | | | 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 | 2,443,495 | | | 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 | 33,336,353 | 33,312,514 | | 23,839 | 33,336,353 | |
| So East Interim Bungalows, PCC | 2,506 | 2,506 | | | 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 | 3,852,788 | 3,709,293 | | 1,040 | 3,710,333 | |
| Electronic 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 | 12,476,754 | | | 12,476,754 | |
| Kinesiology Labs & Aquatic Center | 4,289,549 | 42,728 | | | 42,728 | |
| Math Tech Building/Culinary Arts | 39,489,092 | 39,483,110 | | 577 | 39,483,687 | |
| Debt Service | 30,502,449 | 30,502,449 | | | 30,502,449 | |
| Contingencies | 55,950,423 | | | | - | |
| Building D - Science | 4,700,989 | 4,700,989 | | | 4,700,989 | |
| Outdoor Physical Education Labs | 281,559 | 281,559 | | | 281,559 | |
| Building M - Liberal Arts | 33,010,435 | 67,983 | | | 67,983 | |
| Building F - Family/Consumer Education | 1,010,729 | 10,729 | | | 10,729 | |

* Rebates and/or settlements received.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF MEASURE E, FEBRUARY 2008
BOND PROJECTS SUMMARY
June 30, 2018**

| Project Name | Adjusted Budget | Total Projects | |
|---------------------------------------|-----------------------|--------------------------------|-------------------------|
| | | Costs Through June 30, 2017 | 2017-18 Actual Costs |
| Building E - College Center | 18,417,773 | 288,787 | 288,787 |
| Building P - Language Arts | 3,158,163 | 2,953,803 | (28,658) |
| Child Development Center | 140,713 | 140,713 | 140,713 |
| Building C - Nursing Tech | 11,452,365 | 11,451,481 | 883 |
| Building S - Stadium | 4,014,950 | 1,024,458 | 1,024,458 |
| Building R - Primary Gymnasium | 505,735 | 367,093 | 367,093 |
| Building B - Classrooms | 46,475 | 46,474 | 46,474 |
| Building Q - Secondary Gym | 404,115 | 91,914 | 91,914 |
| Building K - Art | 1,878,570 | 187,360 | 187,360 |
| Aquatic Center | 343,177 | 343,176 | 343,176 |
| Building J - Auditorium | 2,791,174 | 1,995,970 | 1,995,970 |
| Building I - Foundation | 5,573,760 | 5,573,760 | 5,573,760 |
| Acquisitions LAC | 18,514,279 | 18,514,280 | 18,514,280 |
| Building G - Performing Arts | 12,598,495 | 66,513 | 66,513 |
| Camera Security System | 5,314,350 | 3,448,592 | (2,265) |
| Classroom Lockdown Project | 88,632 | 88,632 | 88,632 |
| Campus Improvements | 508,067 | 493,065 | 493,065 |
| 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 | 1,178,712 | 878,150 | 878,150 |
| Campus Landscaping | 3,260,000 | 524,286 | 524,286 |
| Building JJ | 717,664 | 717,663 | 717,663 |
| Building M - Construction Trades | 9,573,796 | 476,725 | 476,725 |
| Student Services Center | 21,093,945 | 21,019,245 | 29,288 |
| Fitness Center | 7,554,159 | 7,554,161 | 7,554,161 |
| Building FF - Fine Arts/Senior Center | 1,105,190 | - | - |
| Building Q & R - Auto Body/Diesel | 16,567,483 | 16,584,103 | (16,620) |
| Sheet Metal Move | 671,952 | 671,952 | 671,952 |
| Building MM - Construction Trades 1 | 2,367,191 | - | - |
| Acquisitions PCC | 997,667 | 997,667 | 997,667 |
| Project Totals | \$ 643,338,527 | \$ 491,909,958 | \$ 3,645 |

* Rebates and/or settlements received.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF MEASURE LB, JUNE 2016
BOND PROJECTS SUMMARY
June 30, 2018**

| Project Name | Adjusted Budget | Total Projects | |
|---|-----------------------|--------------------------------|--|
| | | Costs Through June 30, 2017 | 2017-18 Actual Costs |
| | | | Total Projects Costs Through June 30, 2018 |
| Kinesiology Labs & Aquatic Center | \$ 39,971,020 | \$ | \$965,421 |
| LAC Walkways & Wayfinding | 3,693,830 | | 270,776 |
| Science Building D | 9,934,035 | 1,860,715 | 4,840,726 |
| Building M - Liberal Arts | 16,552,591 | | 197,138 |
| Building F - Demolish Family/Consumer | 2,720,600 | | - |
| Building E - College Center | 18,931,906 | | - |
| Building P - Language Arts | 7,857,778 | | 4,488,176 |
| Building S - Stadium | 85,751,659 | | 168,127 |
| Building R - Primary Gymnasium | 59,933,087 | | - |
| Building B - Classroom | 30,834,400 | | - |
| Building Q - Secondary Gymnasium | 24,426,950 | | - |
| Building K - Art | 24,028,628 | | - |
| Building J - Auditorium | 26,230,428 | | 3,754,642 |
| Building G - Performing Arts | 21,963,647 | | - |
| District Wide Security Monitoring System | 4,994,393 | 979,537 | 1,743,724 |
| Building O2 - Economic & Workforce | 34,808,202 | | - |
| Building O1 - IITS/Warehouse | 26,463,640 | | - |
| Classroom Lockdown Project | 411,368 | | 102,723 |
| Building CDC - Child Development Center | 21,022,354 | | - |
| Building P2 - Parking Structure | 21,493,800 | 172,873 | 603,351 |
| Circulation Access | 15,000 | | 2,021 |
| PCC Walkways & Wayfinding | 2,239,613 | | - |
| Building MM - Construction Trades Phase 1 | 3,009,155 | | 209,500 |
| Building FF - Demolish Fine Arts/Sr. | 1,428,410 | | - |
| Buildings QQ & RR - Auto Body/Diesel | 3,735,479 | | 3,645,466 |
| Building MM - Construction Trades Phase 2 | 2,343,511 | | - |
| Building OO - Classroom | 98,070,400 | | - |
| Administrative Costs | 21,138,527 | 1,270,251 | 503,053 |
| Minor Campus Improvements | 29,239,507 | 466,370 | 2,453,492 |
| Technology Refresh/Replacement | 69,558,000 | | 942,645 |
| Enterprise Wide Computer System | 20,000,000 | | - |
| Surface Parking Improvements | 9,454,310 | | - |
| Energy/Water Conservation Projects | 25,000,000 | | 238,173 |
| Infrastructure Projects | 25,000,000 | 32,340 | 181,169 |
| Landscaping | 17,640,834 | | 178,072 |
| Joint Use Facility | 27,317,500 | | - |
| Long Term Renovation Contingency | 15,785,110 | | - |
| Project Totals | \$ 852,999,672 | \$ 4,782,086 | \$ 25,488,395 |
| | | | \$ 30,270,481 |