



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

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year Ended June 30, 2018

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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Independent Auditors' Report

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

Report on the Statement

We have audited the accompanying statement of expenditures of bond proceeds of the Proposition A Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2018, and the related notes to the statement of expenditures of bond proceeds.

Management's Responsibility for the Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of expenditures of bond proceeds based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of expenditures of bond proceeds. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement of expenditures of bond proceeds, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the statement of expenditures of bond proceeds in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of expenditures of bond proceeds.

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

Opinion on the Statement of Expenditures of Bond Proceeds

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of the Los Angeles Community College District's Proposition A Bond Construction Program for the year ended June 30, 2018, 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*.

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Our audit was conducted for the purpose of forming an opinion on the statement of expenditures of bond proceeds of the Proposition A Bond Construction Program. The accompanying unaudited supplementary schedule of expenditures of bond proceeds of the Proposition A Bond Construction Program of the District for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds.

The unaudited 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 12, 2018, 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 that 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. That 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.

KPMG LLP

December 12, 2018

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

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

College direct costs:		
Structural and equipment costs:		
Construction (new)	\$	12,949
Construction (renovation)		1,766,513
Temporary facilities		2,907
Furniture, fixtures, and equipment		40,536
Total structural and equipment costs		<u>1,822,905</u>
Development and support costs:		
Design		639,478
Specialty consulting		14,505
Project management		356,134
Inspection and testing		17,808
Reimbursable expenditures		42,878
Total development and support costs		<u>1,070,803</u>
Total college direct costs		<u>2,893,708</u>
Programwide costs:		
Program management		492,187
Compliance and audit fees		20,700
Total programwide costs		<u>512,887</u>
Total college direct costs and programwide costs	\$	<u><u>3,406,595</u></u>

See accompanying notes to statement of expenditures of bond proceeds.

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

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

(1) Program Background

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

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

The District's board of trustees approved an award of the contract for program management (Program Manager) services to AECOM Technical Services, Inc. (AECOM), effective April 4, 2013. Effective October 15, 2017, the Board of Trustees authorized an agreement to replace AECOM with Jacobs Project Management Company to provide program management services for the bond program for a five year period.

The Program Manager is responsible for managing all program related activities, including the maintenance of the master schedule and the master program budget. The Program Manager provides its own staff and services for budgeting, accounting, contracting, and supervising the program. The annual contract amount paid to the Program Manager related to the Proposition A Bond Construction Program totaled \$255,378 (\$179,608 to Jacobs, and \$75,770 to AECOM) for the year ended June 30, 2018.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2018 has been prepared on the accrual basis of accounting. The Act requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes all amounts expended using bond proceeds regardless of expenditure type.

(3) Bond Issuances

On April 10, 2001, the voters of Los Angeles County passed Proposition A, a \$1.245 billion General Obligation (G.O.) Bond Measure. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District. As of June 30, 2018, all of the G.O. Bond measure has been issued.

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

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

(4) Subsequent Events

The District has evaluated subsequent events from the date of the statement of expenditures through December 12, 2018, the date at which the statement was available to be issued. The District is not aware of any additional subsequent events, which would require recognition or disclosure in the statement of expenditures of bond proceeds.

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM**
Unaudited Supplementary Schedule of Expenditures of Bond Proceeds
Period from April 10, 2001 (inception) through June 30, 2018
(Unaudited)

	Budget as of 2018	Period from April 10, 2001 (inception) through June 30, 2018	Reclassifications	Subtotal	Cumulative reimbursements from the State of California as of June 30, 2018	Cumulative expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2018
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 605,500,130	697,837,135	—	697,837,135	(112,931,827)	584,905,308
Construction (renovation)	211,042,343	216,958,791	(20,165)	216,938,626	(13,251,840)	203,686,786
Hardscape/landscape	125,771	125,771	—	125,771	—	125,771
Temporary facilities	20,010,643	20,090,817	—	20,090,817	—	20,090,817
Furniture, fixtures, and equipment	34,241,952	46,881,634	—	46,881,634	(13,912,971)	32,968,663
Total structural and equipment costs	870,920,839	981,894,148	(20,165)	981,873,983	(140,096,638)	841,777,345
Other costs:						
Land acquisition	42,776,242	43,900,803	—	43,900,803	—	43,900,803
Development and support costs:						
Master planning/EIR	14,275,941	15,348,987	—	15,348,987	(186,299)	15,162,688
Predesign/programming	8,101,926	8,443,216	—	8,443,216	—	8,443,216
Design	131,183,653	139,135,881	(48,366)	139,087,515	(7,509,152)	131,578,363
Specialty consulting	40,652,712	40,770,345	—	40,770,345	(222,510)	40,547,835
Project management	114,202,417	115,695,241	—	115,695,241	(325,165)	115,370,076
Inspection and testing	34,805,866	35,052,723	—	35,052,723	(886,599)	34,166,124
Construction management	503,589	523,943	—	523,943	(401,473)	122,470
Reimbursable expenditures	9,109,477	6,206,681	(2,000)	6,204,681	(34,803)	6,169,878
Total development and support costs	352,635,581	361,177,017	(50,366)	361,126,651	(9,566,001)	351,560,650
Total college direct costs	1,266,332,662	1,386,971,968	(70,531)	1,386,901,437	(149,662,639)	1,237,238,798
Programwide costs:						
Program management	80,449,021	79,793,329	—	79,793,329	—	79,793,329
Legal consulting fees	6,110,051	5,767,366	—	5,767,366	—	5,767,366
Compliance and audit fees	2,689,768	2,526,670	—	2,526,670	—	2,526,670
Bond measure election costs	523,743	585,660	—	585,660	—	585,660
Rents and leases	1,264,869	1,281,244	—	1,281,244	—	1,281,244
Total programwide costs	91,037,452	89,954,269	—	89,954,269	—	89,954,269
Total college direct costs and programwide costs	1,357,370,114	1,476,926,237	(70,531)	1,476,855,706	(149,662,639)	1,327,193,067
Unallocated interest earned	5,597,476					
Total college direct costs, programwide costs, and unallocated interest earned	\$ 1,362,967,590					

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

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

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from April 10, 2001 (inception) through June 30, 2018

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures of the Los Angeles Community College District's Proposition A Bond Construction Program for the period from April 10, 2001 (inception) through June 30, 2018.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting and 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 exclude reclassifications and reimbursements from other funding sources for the period from April 10, 2001 (inception) through June 30, 2018.

(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

The District received amounts from the State of California and other non-Proposition A funding sources as reimbursement for various multifunded projects. These projects were to be funded by both state funds and bond proceeds. Prior to filing claims and receipt of funds from the state, eligible Proposition A bond proceeds were used to fund the projects. The reimbursements received by the District, totaling \$149,662,639 for the period from April 10, 2001 (inception) through June 30, 2018, 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.

(e) Reclassifications

Certain adjustments and reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2018, which were related to prior years. Such amounts totaling \$70,531 were reclassified from Proposition A to Proposition AA.

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

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds
Period from April 10, 2001 (inception) through June 30, 2018
(Unaudited)

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds and other bond related sources of funds available at June 30, 2018:

Bonds authorized and issued	\$ 1,245,000,000
Other bond related sources of funds:	
Additional proceeds from General Obligation Refunding Bonds, 2005 Series A	12,330,000
Other interest	613,644
Interest earned for the period from April 10, 2001 (inception) through June 30, 2018	<u>105,023,946</u>
Total bonds authorized, interest earned, and other	1,362,967,590
Less expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2018	<u>(1,327,193,067)</u>
Total authorized and issued bond funds and other bond related sources of funds available at June 30, 2018	<u>\$ 35,774,523</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Proposition A Bond Construction statement of expenditures of bond proceeds (statement of expenditures of bond proceeds) of Los Angeles Community College District (the District) for the year ended June 30, 2018, and have issued our report thereon dated December 12, 2018.

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. 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 statement of expenditures of bond proceeds is free from 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 the statement of expenditures of bond proceeds 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.

KPMG LLP

December 12, 2018



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

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year Ended June 30, 2018

(With Independent Auditors' Report Thereon)

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

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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, 2018, and the related notes to the statement of expenditures of bond proceeds.

Management's Responsibility for the Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of expenditures of bond proceeds based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of expenditures of bond proceeds. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement of expenditures of bond proceeds, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the statement of expenditures of bond proceeds in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of expenditures of bond proceeds.

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

Opinion on the Statement of Expenditures of Bond Proceeds

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of the Los Angeles Community College District's Proposition AA Bond Construction Program for the year ended June 30, 2018, 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*.

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

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 unaudited supplementary schedule of expenditures of bond proceeds of the Proposition AA Bond Construction Program of the District for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds.

The unaudited 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 12, 2018, 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 that 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. That 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.

KPMG LLP

December 12, 2018

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

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

College direct costs:		
Structural and equipment costs:		
Construction (new)	\$	125,745
Construction (renovation)		1,512,638
Furniture, fixtures, and equipment		<u>7,808</u>
Total structural and equipment costs		<u>1,646,191</u>
Development and support costs:		
Design		556,683
Specialty consulting		2,067
Project management		239,216
Inspection and testing		78,663
Reimbursable expenditures		<u>15,057</u>
Total development and support costs		<u>891,686</u>
Total college direct costs		<u>2,537,877</u>
Programwide costs:		
Program management		434,394
Compliance and audit fees		<u>37,200</u>
Total programwide costs		<u>471,594</u>
Total college direct costs and programwide costs	\$	<u><u>3,009,471</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, 2018

(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 AECOM Technical Services, Inc. (AECOM), effective April 4, 2013. Effective October 15, 2017, the Board of Trustees authorized an agreement to replace AECOM with Jacobs Project Management Company to provide program management services for the bond program for a five year period.

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 \$225,427 (\$158,543 to Jacobs, and \$66,884 to AECOM) for the year ended June 30, 2018.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2018, 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 May 2003, the voters of the Los Angeles County (the County) passed Proposition AA, a \$980 million General Obligation (G.O.) Bond measure. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District. As of June 30, 2018, all of the G.O. Bond measure has been issued.

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

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

(4) Subsequent Events

The District has evaluated subsequent events from the date of the statement of expenditures through December 12, 2018, the date at which the statement was available to be issued. The District is not aware of any additional subsequent events, which would require recognition or disclosure in the statement of expenditures of bond proceeds.

**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 20, 2018
(Unaudited)

	Budget as of 2018	Period from May 20, 2003 (inception) through June 30, 2018	Reclassifications	Subtotal	Cumulative reimbursements from the state of California as of June 30, 2018	Cumulative expenditures of bond proceeds for the period from May 20, 2003 (inception) through June 30, 2018
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 356,581,938	371,035,708	—	371,035,708	(55,472,431)	315,563,277
Construction (renovation)	190,487,905	230,233,697	20,165	230,253,862	(46,699,913)	183,553,949
Temporary facilities	4,624,003	4,615,240	—	4,615,240	—	4,615,240
Furniture, fixtures, and equipment	35,599,987	37,795,971	—	37,795,971	(2,828,479)	34,967,492
Total structural and equipment costs	587,293,833	643,680,616	20,165	643,700,781	(105,000,823)	538,699,958
Other costs:						
Land acquisition	115,479,927	103,319,376	—	103,319,376	—	103,319,376
Building acquisition	—	19,704,402	—	19,704,402	—	19,704,402
Total other costs	115,479,927	123,023,778	—	123,023,778	—	123,023,778
Development and support costs:						
Master planning/EIR	4,228,528	4,462,689	—	4,462,689	—	4,462,689
Pre-design/programming	1,302,544	1,447,385	—	1,447,385	—	1,447,385
Design	62,971,262	72,988,678	48,366	73,037,044	(9,220,213)	63,816,831
Specialty consulting	30,527,909	30,916,418	—	30,916,418	(80,910)	30,835,508
Project management	73,169,682	74,073,690	—	74,073,690	—	74,073,690
Inspection and testing	22,452,667	22,433,594	—	22,433,594	(180,024)	22,253,570
Construction management	—	1,607	—	1,607	—	1,607
Reimbursable expenditures	4,783,258	2,966,821	2,000	2,968,821	(754,703)	2,214,118
Total development and support costs	199,435,850	209,290,882	50,366	209,341,248	(10,235,850)	199,105,398
Total college direct costs	902,209,610	975,995,276	70,531	976,065,807	(115,236,673)	860,829,134
Programwide costs:						
Program management	40,452,565	42,450,847	—	42,450,847	—	42,450,847
Legal consulting fees	1,272,026	1,158,475	—	1,158,475	—	1,158,475
Compliance and audit fees	1,413,809	1,386,880	—	1,386,880	—	1,386,880
Bond measure election costs	—	1,206,719	—	1,206,719	—	1,206,719
Rents and leases	6,062,391	6,062,392	—	6,062,392	—	6,062,392
Total programwide costs	49,200,791	52,265,313	—	52,265,313	—	52,265,313
Debt refinancing	106,219,031	109,886,025	—	109,886,025	—	109,886,025
Total college direct costs and programwide costs	1,057,629,432	\$ 1,138,146,614	70,531	1,138,217,145	(115,236,673)	1,022,980,472
Unallocated interest earned	3,615,085					
Total college direct costs, programwide costs, and unallocated interest earned	\$ 1,061,244,517					

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, 2018

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures of the Los Angeles Community College District's Proposition AA Bond Construction Program for the period from May 20, 2003 (inception) through June 30, 2018.

(2) Basis of Presentation

The accompanying unaudited schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting and 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 exclude reclassifications and reimbursements from other funding sources for the from May 20, 2003 (inception) through June 30, 2018.

(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

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 \$115,236,673 for the period from May 20, 2003 (inception) through June 30, 2018, 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.

(e) Reclassifications

Certain adjustments and reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2018, which were related to prior years. Such amounts totaling \$70,531 were reclassified to Proposition AA from Proposition A.

**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, 2018

(Unaudited)

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2018:

Bonds authorized and issued	
Other bond related sources of funds:	\$ 980,000,000
Interest earned from May 20, 2003 (inception) through June 30, 2018	46,904,155
Proceeds from sale of property purchased with bond funds	29,974,680
Other income	<u>4,365,682</u>
Total other bond related sources of funds	1,061,244,517
Less expenditures of bonds proceeds for the period from May 20, 2003 (inception) through June 30, 2018	<u>(1,022,980,472)</u>
Total authorized and issued bond funds available at June 30, 2018	<u>\$ 38,264,045</u>



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Proposition AA Bond Construction 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 Los Angeles Community College District (the District) for the year ended June 30, 2018, and have issued our report thereon dated December 12, 2018.

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. 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 statement of expenditures of bond proceeds is free from 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 the statement of expenditures of bond proceeds 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.

KPMG LLP

December 12, 2018



**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year Ended June 30, 2018

(With Independent Auditors' Report Thereon)

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

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KPMG LLP
Suite 1500
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Los Angeles, CA 90071-2629

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 Measure J Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2018, and the related notes to the statement of expenditures of bond proceeds.

Management's Responsibility for the Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of expenditures of bond proceeds based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of expenditures of bond proceeds. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement of expenditures of bond proceeds, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the statement of expenditures of bond proceeds in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of expenditures of bond proceeds.

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

Opinion on the Statement of Expenditures of Bond Proceeds

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of the Los Angeles Community College District's Measure J Bond Construction Program for the year ended June 30, 2018, 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*.

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Our audit was conducted for the purpose of forming an opinion on the statement of expenditures of bond proceeds of the Measure J Bond Construction Program. The accompanying unaudited supplementary schedule of expenditures of bond proceeds of the Measure J Bond Construction Program of the District for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds.

The unaudited 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 12, 2018, 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 that 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. That 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.

KPMG LLP

December 12, 2018

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

College direct costs:	
Structural and equipment costs:	
Construction (new)	\$ 65,652,877
Construction (renovation)	26,539,731
Temporary facilities	1,426,205
Furniture, fixtures, and equipment	<u>11,179,488</u>
Total structural and equipment costs	<u>104,798,301</u>
Development and support costs:	
Master planning	28,382
Predesign/programming	345,153
Design	19,384,805
Specialty consulting	3,793,168
Project management	11,490,928
Inspection and testing	2,664,698
Reimbursable expenditures	<u>395,411</u>
Total development and support costs	<u>38,102,545</u>
Total college direct costs	<u>142,900,846</u>
Programwide costs:	
Program management	26,850,063
Legal consulting fees	3,921,183
Compliance and audit fees	582,363
Rents and leases	<u>460,707</u>
Total programwide costs	<u>31,814,316</u>
Total college direct costs and programwide costs	<u>\$ 174,715,162</u>

See accompanying notes to statement of expenditures of bond proceeds.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Notes to Statement of Expenditures of Bond Proceeds

Period from November 4, 2008 (inception) through June 30, 2018

(1) Program Background

In November 2008, the Los Angeles Community College District (the District) electorate approved the passage of a \$3.5 billion 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 Measure J (the Program). This Program was intended to supplement the District's cumulative \$2.225 billion Proposition AA and A Bond Construction Programs of the nine college master plans. The college master plans identify areas for improvements 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 increase educational opportunities, raise student achievement, and improve health and safety conditions on the campuses of the nine colleges within the District through the replacement and/or repair and rehabilitation of deteriorating buildings; the construction, furnishing, and equipping of classrooms, laboratories, libraries, and related facilities; the repair and upgrading of electrical wiring for computer technology, heating, air conditioning, and plumbing; complete earthquake retrofitting; improvement of campus safety, fire security, parking, and lighting; and the improvement of current or to be acquired real property to relieve overcrowding of the facilities on these campuses.

The District's board of trustees approved an award of the contract for program management (Program Manager) services to AECOM Technical Services, Inc. (AECOM), effective April 4, 2013. Effective October 15, 2017, the Board of Trustees authorized an agreement to replace AECOM with Jacobs Project Management Company to provide program management services for the bond program for a five year period.

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 Measure J Bond Construction Program totaled \$15,192,120 (\$10,684,666 to Jacobs, \$4,507,454 to AECOM) for the year ended June 30, 2018.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2018 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 November 4, 2008, the voters of the Los Angeles County (the County) passed Measure J, a \$3.5 billion General Obligation (G.O.) Bond measure. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District. As of June 30, 2018, \$2.825 billion of the G.O. Bond measure has been issued.

On July 27, 2016, the District issued its \$300,000,000 2008 Election G.O. Bonds, Series I with interest ranging from 2% to 4% maturing in August 2040.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Notes to Statement of Expenditures of Bond Proceeds
Period from November 4, 2008 (inception) through June 30, 2018

On October 18, 2016, the District issued its \$177,745,000 2016 G.O. Refunding Bonds with interest ranging from 2% to 5.00% maturing in August 2039. The net proceeds were used to refund \$175,000,000 outstanding principal of the 2008 Election G.O. Bonds, 2010 Series C.

On November 30, 2017, the District issued its \$300,000,000 2008 Election G.O. Bonds Series J with interest ranging from 2% to 5% maturing in August 2041.

(4) Subsequent Events

The District has evaluated subsequent events from the date of the statement of expenditures through December 12, 2018, the date at which the statement was available to be issued. The District is not aware of any additional subsequent events, which would require recognition or disclosure in the statement of expenditures of bond proceeds.

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from November 4, 2008 (inception) through June 30, 2018

(Unaudited)

	Budget as of 2018	Period from November 4, 2008 (inception) through June 30, 2018	Reclassifications	Subtotal	Cumulative reimbursements from the state of California as of June 30, 2018	Cumulative expenditures of bond proceeds for the period from November 4, 2008 (inception) through June 30, 2018
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 1,460,000,312	972,178,369	—	972,178,369	(19,130,934)	953,047,435
Construction (renovation)	625,002,463	506,022,271	—	506,022,271	(6,850,987)	499,171,284
Hardscape/landscape	—	193,527	—	193,527	—	193,527
Temporary facilities	10,867,874	11,854,479	—	11,854,479	—	11,854,479
Furniture, fixtures, and equipment	199,122,229	133,740,445	—	133,740,445	(2,970,093)	130,770,352
Total structural and equipment costs	2,294,992,878	1,623,989,091	—	1,623,989,091	(28,952,014)	1,595,037,077
Other costs:						
Land acquisition	57,881,443	82,543,820	—	82,543,820	—	82,543,820
Development and support costs:						
Master planning/EIR	7,829,793	5,838,615	—	5,838,615	—	5,838,615
Pre-design/programming	7,941,572	6,859,977	—	6,859,977	—	6,859,977
Design	275,429,249	244,210,701	—	244,210,701	(597,592)	243,613,109
Specialty consulting	259,596,941	201,836,486	—	201,836,486	—	201,836,486
Project management	211,235,481	176,114,121	—	176,114,121	(281,460)	175,832,661
Inspection and testing	67,393,433	46,881,803	—	46,881,803	(146,535)	46,735,268
Reimbursable expenditures	6,881,234	5,211,934	—	5,211,934	—	5,211,934
Total development and support costs	836,307,703	686,953,637	—	686,953,637	(1,025,587)	685,928,050
Total college direct costs	3,189,182,024	2,393,486,548	—	2,393,486,548	(29,977,601)	2,363,508,947
Programwide costs:						
Program management	225,581,272	226,760,613	—	226,760,613	30,249	226,790,862
Legal consulting fees	61,315,868	30,923,854	—	30,923,854	—	30,923,854
Compliance and audit fees	698	7,768,723	—	7,768,723	—	7,768,723
Bond measure election costs	—	966,188	—	966,188	—	966,188
Rents and leases	61,208,483	24,530,276	—	24,530,276	—	24,530,276
Total programwide costs	348,106,321	290,949,654	—	290,949,654	30,249	290,979,903
Total college direct costs and programwide costs	3,537,288,345	\$ 2,684,436,202	—	2,684,436,202	(29,947,352)	2,654,488,850
Unallocated interest earned	27,728,073					
Total college direct costs, programwide costs, and unallocated interest earned	\$ 3,565,016,418					

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from November 4, 2008 (inception) through June 30, 2018

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures of the Los Angeles Community College District's Measure J Bond Construction Program for the period from November 4, 2008 (inception) through June 30, 2018.

(2) Basis of Presentation

The accompanying unaudited schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting and 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 from November 4, 2008 (inception) through June 30, 2018.

(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 and Other Nonbond Sources

The District received amounts from the State of California as reimbursement for various multi-funded 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 Measure J bond proceeds were used to fund the projects. The reimbursements received by the District, totaling \$29,947,352 for the period from November 4, 2008 (inception) through June 30, 2018, 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.

(e) Reclassifications

No adjustments or reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2018, which were related to prior years.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Period from November 4, 2008 (inception) through June 30, 2018

(Unaudited)

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2018:

Bonds authorized and issued	\$ 2,825,000,000
Bonds authorized but not yet issued	<u>675,000,000</u>
Total bonds authorized	3,500,000,000
Other bond related source of funds:	
Interest earned for the period from November 4, 2008 (inception) through June 30, 2018	46,221,082
Other income	<u>18,795,336</u>
Total other bond-related sources of funds	3,565,016,418
Less expenditures of bond proceeds for the period from November 4, 2008 (inception) through June 30, 2018	<u>(2,654,488,850)</u>
Total authorized bond funds remaining at June 30, 2018	<u>\$ 910,527,568</u>



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Measure J Bond Construction 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 Measure J Bond Construction 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, 2018, and have issued our report thereon dated December 12, 2018.

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. 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 statement of expenditures of bond proceeds are free from 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 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.

KPMG LLP



**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year ended June 30, 2018

(With Independent Auditors' Report Thereon)

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

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Los Angeles, CA 90071-2629

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 Measure CC Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2018, and the related notes to the statement of expenditures of bond proceeds.

Management's Responsibility for the Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of expenditures of bond proceeds based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of expenditures of bond proceeds. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement of expenditures of bond proceeds, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the statement of expenditures of bond proceeds in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of expenditures of bond proceeds.

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

Opinion on the Statement of Expenditures of Bond Proceeds

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of the Los Angeles Community College District's Measure CC Bond Construction Program for the year ended June 30, 2018, 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*.

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Our audit was conducted for the purpose of forming an opinion on the statement of expenditures of bond proceeds of the Measure CC Bond Construction Program. The accompanying unaudited supplementary schedule of expenditures of bond proceeds of the Measure CC Bond Construction Program of the District for the year ended June 30, 2018, is presented for purposes of additional analysis, and is not a required part of the statement of expenditures of bond proceeds.

The unaudited 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 12, 2018, 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.

KPMG LLP

December 12, 2018

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

College direct costs:

Development and support costs:

Master planning	\$	638,156
Predesign/programming		37,103
Specialty consulting		2,200
Project management		44,696
		<u>44,696</u>
Total development and support costs		<u>722,155</u>
Total college direct costs		<u>722,155</u>

Programwide costs:

Program management		444,115
Legal consulting fees		625,565
Compliance and audit fees		10,350
Bond measure election costs		4,772,937
		<u>4,772,937</u>
Total programwide costs		<u>5,852,967</u>
Total college direct costs and programwide costs	\$	<u><u>6,575,122</u></u>

See accompanying notes to statement of expenditures of bond proceeds.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

(1) Program Background

In November 2016, the Los Angeles Community College District (the District) electorate approved the passage of a \$3.3 billion property tax financed bond measure under the requirements of the, *Los Angeles Community College District Affordable Education, Job Training, Classroom Safety Measure*, known as Measure CC (the Program) in accordance with Proposition 39, Smaller Classes, Safer Schools and Financial Accountability Act, of the State of California (the Act). This Program supplements the District's cumulative \$5.725 billion Proposition AA and A, and Measure J Bond Construction Programs of the nine college master plans. The college master plans identify areas for improvements 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 increase educational opportunities, raise student achievement, and improve health and safety conditions on the campuses of the nine colleges within the District through the replacement and/or repair and rehabilitation of deteriorating buildings; the construction, furnishing, and equipping of classrooms, laboratories, libraries, and related facilities; the repair and upgrading of electrical wiring for computer technology, heating, air conditioning, and plumbing; complete earthquake retrofitting; improvement of campus safety, fire security, parking, and lighting; and the improvement of current or to be acquired real property to relieve overcrowding of the facilities on these campuses.

The District's board of trustees approved an award of the contract for program management (Program Manager) services to AECOM Technical Services, Inc. (AECOM), effective April 4, 2013. Effective October 15, 2017, the Board of Trustees authorized an agreement to replace AECOM with Jacobs Project Management Company to provide program management services for the bond program for a five year period.

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 Measure CC Bond Construction Program totaled \$133,506 (\$97,496 to Jacobs, and \$36,010 to AECOM) for the year ended June 30, 2018.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2018 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 November 8, 2016, the voters of the Los Angeles County (the County) passed Measure CC, a \$3.3 billion General Obligation (G.O.) Bond measure. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District. As of June 30, 2018, \$100 million of the G.O. Bond measure has been issued.

On November 30, 2017, the District issued its \$50,000,000 2008 Election G.O. Bonds, Series A-1 with interest rate of 2% to 4% maturing in August 2018.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2018

On November 30, 2017, the District issued its \$50,000,000 2008 Election G.O. Bonds, Series A-2 (Federally Taxable) with interest rate of 1.62% maturing in August 2018.

(4) Subsequent Events

The District has evaluated subsequent events from the date of the statement of expenditures through December 12, 2018, the date at which the statement was available to be issued. The District is not aware of any additional subsequent events, which would require recognition or disclosure in the statement of expenditures of bond proceeds.

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Year ended June 30, 2018

(Unaudited)

	<u>Budget as of 2018</u>	<u>Expenditures for the year ended June 30, 2018</u>
College direct costs:		
Structural and equipment costs:		
Construction (new)	\$ 2,957,781,506	—
Construction (renovation)	7,793,539	—
Furniture, fixtures, and equipment	<u>14,019,096</u>	<u>—</u>
Total structural and equipment costs	<u>2,979,594,141</u>	<u>—</u>
Development and support costs:		
Master planning/EIR	2,840,611	638,156
Predesign/programming	9,554,380	37,103
Design	38,950,302	—
Specialty consulting	74,837,973	2,200
Project management	29,585,911	44,696
Inspection and testing	22,394,591	—
Reimbursable expenditures	<u>3,000</u>	<u>—</u>
Total development and support costs	<u>178,166,768</u>	<u>722,155</u>
Total college direct costs	<u>3,157,760,909</u>	<u>722,155</u>
Programwide costs:		
Program management	119,651,355	444,115
Legal consulting fees	—	625,565
Compliance and audit fees	—	10,350
Bond measure election costs	<u>—</u>	<u>4,772,937</u>
Total programwide costs	<u>119,651,355</u>	<u>5,852,967</u>
Debt refinancing	<u>5,000,000</u>	<u>—</u>
Total college direct costs and programwide costs	3,282,412,264	\$ <u>6,575,122</u>
Unallocated budget	<u>18,729,608</u>	
Total college direct costs, programwide costs, and unallocated interest earned	\$ <u>3,301,141,872</u>	

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Year ended June 30, 2018

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures for the year ended June 30, 2018.

(2) Basis of Presentation

The accompanying unaudited schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting and 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) 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.

(c) Expenditures for the year ended June 30, 2018

The amounts included in expenditures for the year ended June 30, 2018, in the accompanying unaudited supplementary schedule of expenditures of bond proceeds comprise all expenditures made with Measure CC funds, with such expenditures commencing during the year ended June 30, 2018.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE CC BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

Year ended June 30, 2018

(Unaudited)

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2018:

Bonds authorized and issued	\$ 100,000,000
Bonds authorized but not yet issued	<u>3,200,000,000</u>
Total bonds authorized	3,300,000,000
Other bond related source of funds:	
Interest earned for the year ended June 30, 2018	<u>1,141,872</u>
Total other bond-related sources of funds	3,301,141,872
Less expenditures of bond proceeds for the year ended June 30, 2018	<u>(6,575,122)</u>
Total authorized bond funds remaining at June 30, 2018	<u>\$ 3,294,566,750</u>



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Measure CC Bond Construction 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 Measure CC Bond Construction statement of expenditures of bond proceeds (statement of expenditures of bond proceeds) of Los Angeles Community College District (the District) for the year ended June 30, 2018, and have issued our report thereon dated December 12, 2018.

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. 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 statement of expenditures of bond proceeds is free from 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 the statement of expenditures of bond proceeds 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.

KPMG LLP

December 12, 2018

