

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

June 30, 2014



**LONG BEACH
CITY COLLEGE**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Long Beach Community College District
4901 E. Carson Street
Long Beach, California 90808

We have conducted a performance audit of the Long Beach Community College District (the "District"), Measure E General Obligation Bond funds for the year ended June 30, 2014.

We conducted our performance audit in accordance with *Governmental 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 page four of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 – 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof. 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 and Sections 15264 and 15272 – 15286 of the California Education Code. 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 General Obligation Bond funds for the year ended June 30, 2014, 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 and Sections 15264 and 15272 – 15286 of the California Education Code.

Vicenti Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2014

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BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges, under certain circumstances and subject to certain conditions.

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

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

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 bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Bond Construction Fund have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with *Government Auditing Standards* issued by the comptroller General of the United States and be submitted to the Citizen's Oversight Committee by March 31st of each year.

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BACKGROUND INFORMATION (continued)

Below is a summary of 2008 Measure E bond funds, expenditures to date, and remaining funds. Measure E Bond Program funds include amounts that have been issued and amount to be issued in the future. This summary of 2008 Measure E 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>5,409,771</u>
Total 2008 Measure E Bond Program Funds	<u>642,424,102</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	<u>(37,486,848)</u>
Total 2008 Measure E Bond Program Expenditures	<u>(400,588,938)</u>
 Remaining Bond Funds as of July 2014	 <u>\$ 241,835,164</u>

*The Fiscal Year 2013 expenditure includes BAN principal and interest

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BACKGROUND INFORMATION (continued)

On March 11, 2014 the District offered for sale \$11,825,000 in General Obligation 2008 Election, Refunding Bonds 2014 Series C (federally taxable) of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series A).

Sources of Funds

Principal Amount of Bonds	\$ 11,825,000
Total Sources	<u>\$ 11,825,000</u>

Uses of Funds

Deposit to Escrow Fund	\$ 10,114,154
Deposit to Proceeds Reserve Account	1,500,000
Costs of Issuance	<u>210,846</u>
Total Uses	<u>\$ 11,825,000</u>

OBJECTIVES

The objectives of our performance audit were to:

- Document the expenditures charged to the Long Beach Community College District Bond Construction Fund.
- Determine whether expenditures charged to the Bond Construction Fund, have been made in accordance with the bond project list approved by the voters through the approval of Measure E in February 2008.
- Determine compliance with specific Education Code Sections related to oversight of bond expenditures.
- Note any incongruities or system weaknesses, or non-compliance with specific Education Code Sections related to oversight of fund expenditures and provide recommendations for improvement.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

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SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2013 to June 30, 2014. 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, 2014, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014 for the Measure E Bond Construction Fund. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15264 and 15272 – 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure E with regards to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure E election documents.
- We selected a sample of expenditures from the Measure E Bond Construction Fund for the fiscal year ended June 30, 2014 and reviewed supporting documentation to ensure purchasing and contracting guidelines were followed and those funds were properly expended on authorized bond projects.
- We verified that funds from the Measure E Bond Construction Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Bond Construction Fund were not used for salaries of school administrators or other operating expenses of the District.
- The District expended \$37,486,848 of Measure E funds for the fiscal year ended June 30, 2014. We selected a sample of expenditures totaling \$30,782,269 which is 82% of expenditures.

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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 Bond Construction Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure E Bond Construction Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures.

In addition, the results of our tests indicated that, in all significant respects, the District complied with certain provisions of the California Education Code requirements for which the purpose of the Citizens' Oversight Committee is established.

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SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

There were no findings related to the performance audit for the fiscal years ended June 30, 2014 and June 30, 2013.