

LOS ANGELES COMMUNITY COLLEGE DISTRICT

**BOND CONSTRUCTION PROGRAMS:
PROPOSITION A
PROPOSITION AA
MEASURE J**

Statements of Expenditures of Bond Proceeds
and Supplementary Schedules

Year ended June 30, 2013



**LOS ANGELES COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION PROGRAMS**

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

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year ended June 30, 2013

(With Independent Auditors' Reports 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, 2013, 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 statements that are 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; 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

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, 2013, in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary and Other Information

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 supplementary schedule of expenditures of bond proceeds of the Proposition A Bond Construction Program of the District for the period from April 10, 2001 (inception) through June 30, 2013, is presented for purposes of additional analysis, and is not a required part of the statement of expenditures of bond proceeds.

The 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.

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 Accountable Act*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, 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 11, 2013

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

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2013

College direct costs:

Structural and equipment costs:

Construction (new)	\$	725,093
Construction (renovation)		3,644,972
Temporary facilities		409,580
Furniture, fixtures, and equipment		547,803
		5,327,448

Total structural and equipment costs

Development and support costs:

Master planning		24,885
Pre-design/programming		80
Design		1,188,504
Specialty consulting		426,773
Project management		1,315,161
Inspection and testing		316,178
Construction management		16,537
Reimbursable expenditures		72,248
		3,360,366

Total development and support costs

Total college direct costs

8,687,814

Programwide costs:

Program Management		428,769
Compliance and audit fees		59,035
		487,804

Total programwide costs

Total college direct costs and programwide costs

\$ 9,175,618

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, 2013

(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) stands as one of the largest community college bonds ever passed in California. 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.

In August 2001, the District's board of trustees approved an award of the contract for program management (Program Manager) services to Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. Effective April 4, 2013, URS Corporation was replaced by a new Program Manager, AECOM.

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.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2013 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.

**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

For the period from April 10, 2001 (inception) through June 30, 2013

(Unaudited)

	<u>2013 Budget</u>	<u>Period from April 10, 2001 (inception) through June 30, 2013</u>	<u>Reclassifications</u>	<u>Subtotal</u>	<u>Cumulative reimbursements from the State of California as of June 30, 2013</u>	<u>Cumulative expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2013</u>
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 580,092,208	703,008,713	(4,528,008)	698,480,705	(114,397,977)	584,082,728
Construction (renovation)	224,249,081	202,499,510	8,041,511	210,541,021	(15,439,345)	195,101,676
Hardscape/landscape	44,105	125,771	—	125,771	—	125,771
Temporary facilities	15,376,376	16,798,260	1,533,039	18,331,299	—	18,331,299
Furniture, fixtures, and equipment	40,486,619	47,757,833	2,771,504	50,529,337	(13,471,325)	37,058,012
Total structural and equipment costs	<u>860,248,389</u>	<u>970,190,087</u>	<u>7,818,046</u>	<u>978,008,133</u>	<u>(143,308,647)</u>	<u>834,699,486</u>
Other costs:						
Land acquisition	47,885,676	51,191,119	(7,321,549)	43,869,570	-	43,869,570
Development and support costs:						
Master planning	14,506,948	15,243,591	—	15,243,591	(186,299)	15,057,292
Pre-design/programming	7,852,337	8,133,032	281,165	8,414,197	—	8,414,197
Design	128,967,134	136,844,352	(275,000)	136,569,352	(8,023,138)	128,546,214
Specialty consulting	40,244,896	40,420,449	156,024	40,576,473	(204,510)	40,371,963
Project management	112,716,782	113,251,528	(83,822)	113,167,706	(279,808)	112,887,898
Inspection and testing	35,162,962	35,084,792	(275,142)	34,809,650	(802,884)	34,006,766
Construction management	487,052	523,943	—	523,943	(401,473)	122,470
Reimbursable expenditures	11,081,260	6,313,287	(14,229)	6,299,058	(34,803)	6,264,255
Total development and support costs	<u>351,019,371</u>	<u>355,814,974</u>	<u>(211,004)</u>	<u>355,603,970</u>	<u>(9,932,915)</u>	<u>345,671,055</u>
Total college direct costs	<u>1,259,153,436</u>	<u>1,377,196,180</u>	<u>285,493</u>	<u>1,377,481,673</u>	<u>(153,241,562)</u>	<u>1,224,240,111</u>
Programwide costs:						
Program management	76,603,519	76,982,736	-	76,982,736	-	76,982,736
Legal consulting fees	5,553,080	5,767,366	—	5,767,366	—	5,767,366
Compliance and audit fees	2,721,927	2,331,338	11,272	2,342,610	—	2,342,610
Bond measure election costs	454,331	585,660	—	585,660	—	585,660
Rents and leases	615,973	1,281,244	—	1,281,244	—	1,281,244
Total programwide costs	<u>85,948,830</u>	<u>86,948,344</u>	<u>11,272</u>	<u>86,959,616</u>	<u>—</u>	<u>86,959,616</u>
Total college direct costs and programwide costs	<u>1,345,102,266</u>	<u>\$ 1,464,144,524</u>	<u>296,765</u>	<u>1,464,441,289</u>	<u>(153,241,562)</u>	<u>1,311,199,727</u>
Unallocated interest earned	15,784,727					
Total college direct costs, programwide costs, and unallocated interest earned	<u>\$ 1,360,886,993</u>					

See independent auditors' report and 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

For the period from April 10, 2001 (inception) through June 30, 2013

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures for the period from April 10, 2001 (inception) through June 30, 2013.

(2) Basis of Presentation

The accompanying unaudited schedule statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act) requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the expenditures of proceeds have been expended. Accordingly, the accompanying unaudited statement of expenditures of bond proceeds includes all amounts expended using bond proceeds, regardless of expenditure type, since inception.

The unaudited supplementary schedule of expenditures of bond proceeds 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 period from April 10, 2001 (inception) through June 30, 2013.

(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

During the period from April 10, 2001 (inception) through June 30, 2013, the District received amounts from the State of California and other non-Proposition A funding sources 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 Proposition A bond proceeds were used to fund the projects. The reimbursements received by the District, totaling \$153,241,562 for the period from April 10, 2001 (inception) through June 30, 2013, 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.

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

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

For the period from April 10, 2001 (inception) through June 30, 2013

(Unaudited)

(e) Reclassifications

Certain adjustments and reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2013, which were related to prior years. Such amounts totaling \$17,010,907 were reclassified from Proposition AA and Measure J to Proposition A.

In addition, during the ordinary course of operations, management decisions were made to reallocate expenditures to one or more of the bond programs for budgetary purposes. Expenditure transfers from other bond programs were made resulting in a net decrease in Proposition A expenditures of \$16,714,142.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2013:

Bonds authorized and issued	\$ 1,245,000,000
Bonds authorized but not yet issued	—
Total bonds authorized	1,245,000,000
Additional proceeds from General Obligation Refunding Bonds, 2005 Series A	12,330,000
Additional proceeds from surplus equipment sales	491,617
Interest earned for the period from April 10, 2001 (inception) through June 30, 2013	103,065,376
Total bonds authorized, interest earned, and other	1,360,886,993
Less expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2013	(1,311,199,727)
Total authorized and issued bond funds available at June 30, 2013	\$ 49,687,266



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Proposition A Bond Construction Program 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 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 Program statement of expenditures of bond proceeds of the Los Angeles Community College District (the District).

Internal Control Over Financial Reporting

In planning and performing our audit of the of expenditures of bond proceeds for the year ended June 30, 2013, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 statements 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 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 the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 11, 2013



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

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year ended June 30, 2013

(With Independent Auditors' Reports Thereon)

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

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KPMG LLP
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Los Angeles, CA 90071-1568

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, 2013, 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 statements that are 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; 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

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, 2013, in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary and Other Information

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 supplementary schedule of expenditures of bond proceeds of the Proposition AA Bond Construction Program of the District for the period from May 20, 2003 (inception) through June 30, 2013, is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds.

The 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.

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 Accountable Act*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, 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 reports 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 11, 2013

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

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2013

College direct costs:		
Structural and equipment costs:		
Construction (new)	\$	18,193,373
Construction (renovation)		6,637,655
Temporary facilities		5,831
Furniture, fixtures, and equipment		<u>1,701,736</u>
Total structural and equipment costs		<u>26,538,595</u>
Development and support costs:		
Master planning/environmental impact report		21,095
Design		1,534,364
Specialty consulting		592,056
Project management		2,622,367
Inspection and testing		809,037
Reimbursable expenditures		<u>121,291</u>
Total development and support costs		<u>5,700,210</u>
Total college direct costs		<u>32,238,805</u>
Programwide costs:		
Program management		1,890,814
Compliance and audit fees		82,425
Rents and leases		<u>320,875</u>
Total programwide costs		<u>2,294,114</u>
Total college direct costs and programwide costs	\$	<u><u>34,532,919</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, 2013

(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 Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. Effective April 4, 2013, URS Corporation was replaced by a new Program Manager, AECOM.

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.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2013, 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 June 11, 2013, the District issued the 2013 Refunding Bonds (Proposition AA) in the amount of \$55.7 million with interest rates ranging from 2% to 5%, maturing in 2028. This issuance refunded \$62.9 million of the 2003 Series B G.O. Bonds (Proposition AA).

**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

For the period from May 20, 2003 (inception) through June 30, 2013

(Unaudited)

	<u>2013 Budget</u>	<u>Period from May 20, 2003 (inception) through June 30, 2013</u>	<u>Reclassifications</u>	<u>Subtotal</u>	<u>Cumulative reimbursements from the state of California as of June 30, 2013</u>	<u>Cumulative expenditures of bond proceeds for the period from May 20, 2003 (inception) through June 30, 2013</u>
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 324,511,202	360,557,567	(5,454,984)	355,102,583	(30,163,403)	324,939,180
Construction (renovation)	197,574,613	215,627,997	2,087,307	217,715,304	(38,968,493)	178,746,811
Temporary facilities	6,159,917	6,091,385	(1,533,039)	4,558,346		4,558,346
Furniture, fixtures, and equipment	42,753,975	42,063,150	(1,936,954)	40,126,196	(2,483,763)	37,642,433
Total structural and equipment costs	<u>570,999,707</u>	<u>624,340,099</u>	<u>(6,837,670)</u>	<u>617,502,429</u>	<u>(71,615,659)</u>	<u>545,886,770</u>
Other costs:						
Land acquisition	113,649,357	101,311,403	2,042,330	103,353,733	—	103,353,733
Building acquisition	—	19,704,402	—	19,704,402	—	19,704,402
Total other costs	<u>113,649,357</u>	<u>121,015,805</u>	<u>2,042,330</u>	<u>123,058,135</u>	<u>—</u>	<u>123,058,135</u>
Development and support costs:						
Master planning/EIR	4,881,141	4,278,574	—	4,278,574	—	4,278,574
Pre-design/programming	1,622,509	1,474,755	(281,165)	1,193,590	—	1,193,590
Design	67,868,703	69,146,908	445,364	69,592,272	(7,769,565)	61,822,707
Specialty consulting	31,184,852	30,013,667	(83,862)	29,929,805	(80,910)	29,848,895
Project management	73,799,999	70,919,371	112,020	71,031,391	—	71,031,391
Inspection and testing	22,329,758	21,223,211	169,899	21,393,110	(168,742)	21,224,368
Construction management		1,607	—	1,607	—	1,607
Reimbursable expenditures	5,985,880	2,946,366	14,475	2,960,841	(754,703)	2,206,138
Total development and support costs	<u>207,672,842</u>	<u>200,004,459</u>	<u>376,731</u>	<u>200,381,190</u>	<u>(8,773,920)</u>	<u>191,607,270</u>
Total college direct costs	<u>892,321,906</u>	<u>945,360,363</u>	<u>(4,418,609)</u>	<u>940,941,754</u>	<u>(80,389,579)</u>	<u>860,552,175</u>
Programwide costs:						
Program management	36,001,609	37,990,384	—	37,990,384	—	37,990,384
Legal consulting fees	3,243,469	1,158,475	—	1,158,475	—	1,158,475
Compliance and audit fees	1,663,661	1,083,002	16,908	1,099,910	—	1,099,910
Bond measure election costs	50,000	1,206,719	—	1,206,719	—	1,206,719
Rents and leases	6,394,013	6,062,392	—	6,062,392	—	6,062,392
Total programwide costs	<u>47,352,752</u>	<u>47,500,972</u>	<u>16,908</u>	<u>47,517,880</u>	<u>—</u>	<u>47,517,880</u>
Debt refinancing	<u>107,161,451</u>	<u>109,886,024</u>	<u>—</u>	<u>109,886,024</u>	<u>—</u>	<u>109,886,024</u>
Total college direct costs, programwide costs, and debt refinancing	<u>1,046,836,109</u>	<u>\$ 1,102,747,359</u>	<u>(4,401,701)</u>	<u>1,098,345,658</u>	<u>(80,389,579)</u>	<u>1,017,956,079</u>
Unallocated interest earned	<u>8,026,523</u>					
Total college direct costs, programwide costs, and unallocated interest earned	<u>\$ 1,054,862,632</u>					

See independent auditors' report and 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

For the period from May 20, 2003 (inception) through June 30, 2013

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures for the period from May 20, 2003 (inception) through June 30, 2013.

(2) Basis of Presentation

The accompanying unaudited schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (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 unaudited statement of expenditures of bond proceeds includes all amounts expended using bond proceeds regardless of expenditure type, since inception.

The unaudited supplementary schedule of expenditures of bond proceeds 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 period from May 20, 2003 (inception) through June 30, 2013.

(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

During the period from May 20, 2003 (inception) through June 30, 2013, 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 Proposition AA bond proceeds were used to fund the projects. The reimbursements received by the District, totaling \$80,389,579 for period from May 20, 2003 (inception) through June 30, 2013, 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.

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

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

For the period from May 20, 2003 (inception) through June 30, 2013

(Unaudited)

(e) Reclassifications

Certain adjustments and reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2013, which were related to prior years. Such amounts totaling \$6,942,940 were reclassified to Proposition AA funds from Measure J and Proposition A.

In addition, during the ordinary course of operations, management decisions were made to reallocate expenditures to one or more of the bond programs for budgetary purposes. Expenditure transfers were made resulting in a net decrease in Proposition AA expenditures of \$2,541,239 to other bond programs.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2013:

Bonds authorized and issued	\$	980,000,000
Bonds authorized but not yet issued		<u>—</u>
Total bonds authorized and issued		980,000,000
Interest earned from May 20, 2003 (inception) through June 30, 2013		44,840,114
Proceeds from sale of property purchased with bond funds		29,974,680
Other		<u>47,838</u>
Total bonds authorized interest earned proceeds from sale of property and other		1,054,862,632
Less expenditures of bonds proceeds for the period from May 20, 2003 (inception) through June 30, 2013		<u>(1,017,956,079)</u>
Total authorized and issued bond funds available at June 30, 2013	\$	<u><u>36,906,553</u></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 the Proposition AA Bond Construction Program 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 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 of the Los Angeles Community College District (the District).

Internal Control over Financial Reporting

In planning and performing our audit of the of expenditures of bond proceeds for the year ended June 30, 2013, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 statements 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 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 the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 11, 2013



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

Statement of Expenditures of Bond Proceeds
and Unaudited Supplementary Schedule

Year ended June 30, 2013

(With Independent Auditors' Reports Thereon)

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

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KPMG LLP
Suite 2000
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Los Angeles, CA 90071-1568

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, 2013, 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 statements that are 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; 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

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, 2013, in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary and Other Information

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 supplementary schedule of expenditures of bond proceeds of the Measure J Bond Construction Program of the District for the period from November 4, 2008 (inception) through June 30, 2013, is presented for purposes of additional analysis, and is not a required part of the statement of expenditures of bond proceeds.

The 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.

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 Accountable Act*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, 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 11, 2013

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

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2013

College direct costs:

Structural and equipment costs:

Construction (new)	\$ 86,505,024
Construction (renovation)	45,689,143
Temporary facilities	1,388,569
Furniture, fixtures, and equipment	13,116,414
Total structural and equipment costs	<u>146,699,150</u>

Other costs:

Land acquisition	94,500
Total other costs	<u>94,500</u>

Development and support costs:

Master planning	527,861
Pre-design/programming	349,995
Design	25,213,410
Specialty consulting	31,723,273
Project management	23,233,793
Inspection and testing	4,356,379
Reimbursable expenditures	472,377
Total development and support costs	<u>85,877,088</u>

Total college direct costs	<u>232,670,738</u>
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Programwide costs:

Program management	19,206,851
Legal consulting fees	6,299,212
Compliance and audit fees	1,201,782
Rents and leases	3,899,743
Total programwide costs	<u>30,607,588</u>

Total college direct costs and programwide costs	<u>\$ 263,278,326</u>
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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

Year ended June 30, 2013

(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 Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. Effective April 4, 2013, URS Corporation was replaced by a new Program Manager, AECOM.

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.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds for the year ended June 30, 2013, 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 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.

On March 19, 2009, the District issued the 2009 Series A G.O. Bonds (Measure J) in the amount of \$350,000,000 and the 2009 Taxable Series B G.O. Bonds (Measure J) in the amount of \$75,000,000 with various interest rates ranging from 4.50% to 7.53%, maturing in 2034.

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

Notes to Statement of Expenditures of Bond Proceeds

Year ended June 30, 2013

On July 22, 2010, the District issued \$900,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series E Build America Bonds with 6.60% and 6.75% interest rates, maturing in 2049. The proceeds are to be used to finance the construction, equipping, and improving of college and support facilities at nine colleges.

On August 10, 2010, the District issued \$175,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series C with 5.25% interest rate, maturing in 2039. On August 10, 2010, the District issued \$125,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Taxable Series D with 6.68% interest rate, maturing in 2036. The proceeds from these two issues were used to pay off the bond anticipation notes (BAN) payable of \$300,000,000 received in June 2010.

On June 11, 2013, the District issued the 2013 Series F G.O. Bonds (Measure J) in the amount of \$250 million with interest rates ranging from 2% to 5%, maturing in 2038.

**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
For the period from November 4, 2008 (inception) through June 30, 2013
(Unaudited)

	<u>2013 Budget</u>	<u>Period from November 4, 2008 (inception) through June 30, 2013</u>	<u>Reclassifications</u>	<u>Subtotal</u>	<u>Cumulative reimbursements from the state of California as of June 30, 2013</u>	<u>Cumulative expenditures of bond proceeds for the period from November 4, 2008 (inception) through June 30, 2013</u>
College direct costs:						
Structural and equipment costs:						
Construction (new)	\$ 1,577,133,483	473,571,756	14,800,837	488,372,593	(7,447,974)	480,924,619
Construction (renovation)	783,430,281	305,167,511	(10,112,740)	295,054,771	(5,492,289)	289,562,482
Hardscape/landscape	—	193,527	—	193,527	—	193,527
Temporary facilities	8,540,303	5,774,557	—	5,774,557	—	5,774,557
Furniture, fixtures, and equipment	199,444,664	87,721,386	(711,978)	87,009,408	(1,986,454)	85,022,954
Total structural and equipment costs	<u>2,568,548,731</u>	<u>872,428,737</u>	<u>3,976,119</u>	<u>876,404,856</u>	<u>(14,926,717)</u>	<u>861,478,139</u>
Other costs:						
Land acquisition	55,407,726	77,359,100	5,279,220	82,638,320	—	82,638,320
Development and support costs:						
Master planning/EIR	7,681,350	5,197,275	—	5,197,275	—	5,197,275
Prcdesign/programming	6,617,285	4,370,913	—	4,370,913	—	4,370,913
Design	261,666,464	175,233,003	545,847	175,778,850	(635,899)	175,142,951
Specialty consulting	230,883,861	152,973,882	(209,747)	152,764,135	—	152,764,135
Project management	160,353,928	99,942,866	(112,587)	99,830,279	—	99,830,279
Inspection and testing	72,127,309	22,429,726	(7,437)	22,422,289	(146,535)	22,275,754
Construction management	305,217	—	—	—	—	—
Reimbursable expenditures	5,974,273	4,025,906	(246)	4,025,660	—	4,025,660
Total development and support costs	<u>745,609,687</u>	<u>464,173,571</u>	<u>215,830</u>	<u>464,389,401</u>	<u>(782,434)</u>	<u>463,606,967</u>
Total college direct costs	<u>3,369,566,144</u>	<u>1,413,961,408</u>	<u>9,471,169</u>	<u>1,423,432,577</u>	<u>(15,709,151)</u>	<u>1,407,723,426</u>
Programwide costs:						
Program management	96,242,379	81,069,880	(644,196)	80,425,684	—	80,425,684
Legal consulting fees	26,033,748	18,037,445	—	18,037,445	—	18,037,445
Compliance and audit fees	—	3,966,540	53,180	4,019,720	—	4,019,720
Bond measure election costs	—	966,188	—	966,188	—	966,188
Rents and leases	36,311,662	11,367,257	107,895	11,475,152	—	11,475,152
Total programwide costs	<u>158,587,789</u>	<u>115,407,310</u>	<u>(483,121)</u>	<u>114,924,189</u>	<u>—</u>	<u>114,924,189</u>
Total college direct costs and programwide costs	3,528,153,933	\$ <u>1,529,368,718</u>	<u>8,988,048</u>	<u>1,538,356,766</u>	<u>(15,709,151)</u>	<u>1,522,647,615</u>
Unallocated interest earned	19,779,261					
Total college direct costs, programwide costs, and unallocated interest earned	\$ <u>3,547,933,194</u>					

See independent auditors' report and 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

For the period from
November 4, 2008 (inception) through June 30, 2013

(Unaudited)

(1) Background

The unaudited supplementary schedule of expenditures of bond proceeds presents expenditures for the period from November 4, 2008 (inception) through June 30, 2013.

(2) Basis of Presentation

The accompanying unaudited schedule of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (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 unaudited statement of expenditures of bond proceeds includes all amounts expended using bond proceeds regardless of expenditure type, since inception.

The unaudited supplementary schedule of expenditures of bond proceeds 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 period from November 4, 2008 (inception) through June 30, 2013.

(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 Non-Bond Sources

During the period from November 4, 2008 (inception) through June 30, 2013, 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 \$15,709,151 for the period from November 4, 2008 (inception) through June 30, 2013, 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.

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

Notes to Unaudited Supplementary Schedule of Expenditures of Bond Proceeds

For the period from
November 4, 2008 (inception) through June 30, 2013

(Unaudited)

(e) Reclassifications

Certain adjustments and reclassifications were made between the District's various Proposition 39 bond programs during the year ended June 30, 2013, which were related to prior years. Such amounts totaling \$9,995,804 were reclassified from Measure J funds to Proposition AA and Proposition A.

In addition, during the ordinary course of operations, management decisions were made to reallocated expenditures to one or more of the bond programs for budgetary purposes. Expenditure transfers from other bond programs were made resulting in a net increase in Measure J expenditures of \$18,983,852.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2013:

Bonds authorized and issued	\$ 1,875,000,000
Bonds authorized but not yet issued	<u>1,625,000,000</u>
Total bonds authorized	3,500,000,000
Interest earned for the period from November 4, 2008 (inception) through June 30, 2013	32,240,987
Additional proceeds from other income	<u>15,692,207</u>
Total bonds authorized and interest earned	3,547,933,194
Less expenditures of bond proceeds for the period from November 4, 2008 (inception) through June 30, 2013	(1,522,647,615)
Less unissued bonds at June 30, 2013	<u>(1,625,000,000)</u>
Total authorized and issued bond funds available at June 30, 2013	<u><u>\$ 400,285,579</u></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 the Measure J Bond Construction Program 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 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 Program statement of expenditures of bond proceeds of the Los Angeles Community College District (the District).

Internal Control Over Financial Reporting

In planning and performing our audit of the of expenditures of bond proceeds for the year ended June 30, 2013, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 statements 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 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 the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 11, 2013