

LONG BEACH COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
FINANCIAL AUDIT**

June 30, 2005

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
FINANCIAL AUDIT

June 30, 2005

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Chairman
ROYCE A. STUTZMAN

Partners
PETER F. GAUTREAU
RENÉE S. GRAVES
WADE N. McMULLEN
KARIN HECKMAN NELSON
CARL PON
GEMA M. PTASINSKI
MARY ANN QUAY
LINDA M. SADDLEMIRE

Principal
JERI A. WENGER

Senior Managers
JANETTE CAMPS
CLAUDETTE ELIAS DAIN
TIMOTHY D. EVANS
PRISCILLA OSBORNE FLORES
PHEBE M. MCCUTCHEON
SHARI PROSSER
COLLEEN K. TAYLOR

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Citizens' Oversight Committee
Long Beach Community College District
1100 North Grand Avenue
Walnut, CA 91789

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Long Beach Community College District, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 4, 2005. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund of the Long Beach Community College District as of and for the year ended June 30, 2005. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Construction Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Bond Construction Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Construction Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Construction Fund of the Long Beach Community College District as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued a report dated November 4, 2005 on our consideration of the Long Beach Community College District's internal control over financial reporting and our test 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 and should be considered in assessing the results of our audit.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 4, 2005

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BALANCE SHEET
BOND CONSTRUCTION FUND
June 30, 2005

ASSETS

Cash in County Treasury	\$ 21,258,855
Accounts Receivable	<u>201,733</u>
TOTAL ASSETS	<u>\$ 21,460,588</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ <u>1,890,449</u>
TOTAL LIABILITIES	<u>1,890,449</u>

Fund Balance

Undesignated	<u>19,570,139</u>
TOTAL FUND BALANCE	<u>19,570,139</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 21,460,588</u>
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See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2005

REVENUES

Revenues from Local Sources	
Interest Income	\$ 680,660
Other Local Revenues	<u>3,132</u>
TOTAL REVENUES	<u>683,792</u>

EXPENDITURES

Supplies and Materials	31,184
Other Expenses and Services	6,569,845
Capital Outlay	<u>9,438,060</u>
TOTAL EXPENDITURES	<u>16,039,089</u>

Deficiency of revenues over expenditures	(15,355,297)
Fund Balance at Beginning of Year	<u>34,925,436</u>
Fund Balance at End of Year	<u>\$ 19,570,139</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenues from Local Sources			
Interest Income	\$ 480,000	\$ 680,660	\$ 200,660
Other Local Sources	-	3,132	3,132
TOTAL REVENUES	480,000	683,792	203,792
EXPENDITURES			
Supplies and Materials	14,000	31,184	(17,184)
Other Operating Expenses and Services	3,324,021	6,569,845	(3,245,824)
Capital Outlay	15,500,544	9,438,060	6,062,484
TOTAL EXPENDITURES	18,838,565	16,039,089	2,799,476
Excess (deficiency) of revenues over expenditures	(18,358,565)	(15,355,297)	3,003,268
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Bonds	60,000,000	-	(60,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	60,000,000	-	(60,000,000)
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ 41,641,435	(15,355,297)	\$ (56,996,732)
Fund Balance at Beginning of Year		34,925,436	
Fund Balance at End of Year		\$ 19,570,139	

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Construction Fund related to the current reporting period. Expenditures frequently include amounts for buildings, equipment, retirement of indebtedness, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Bond Construction Fund of the Long Beach Community College District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Construction Fund are determined by its measurement focus. The Bond Construction Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Construction Fund are accounted for in the basic financial statements of the Long Beach Community College District.

NOTE 2 – DEPOSITS:

In accordance with the Budget and Accounting Manual, the District maintains its cash related to the Bond Construction Fund in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s Bond Construction Fund deposits in this pool as of June 30, 2005, as provided by the pool sponsor, was \$21,253,283. Interest earned is deposited quarterly into the participating fund. Any investment losses are proportionately shared by all funds in the pool.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excess of expenditures over appropriation in the Bond Construction Fund, by major object amounts, are as follows:

Supplies and materials	17,184
Other operating expenses and services	3,245,824

NOTE 4 – BONDED DEBT:

On March 4, 2003, \$176 million in general obligation bonds were authorized by an election held within the Long Beach Community College District under Proposition 39/Measure E. Proceeds of the bonds will generally be used to finance the construction, acquisition, furnishing and equipping of District facilities.

The following summarizes the debt service requirements on the District for such bonds which mature annually through fiscal year 2028:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
4/30/03	2.5-5.0%	8/1/2027	\$ 40,000,000	\$ 38,500,000	\$ 0	\$ 2,700,000	\$ 35,800,000

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$ 950,000	\$ 1,665,587	\$ 2,615,587
2007	970,000	1,641,838	2,611,838
2008	1,010,000	1,603,037	2,613,037
2009	1,050,000	1,562,638	2,612,638
2010	1,095,000	1,520,637	2,615,637
2011-2015	6,170,000	6,893,088	13,063,088
2016-2020	7,665,000	5,402,300	13,067,300
2021-2025	9,775,000	3,292,750	13,067,750
2026-2028	7,115,000	723,250	7,838,250
Total	<u>\$ 35,800,000</u>	<u>\$ 24,305,125</u>	<u>\$ 60,105,125</u>

The repayment of the debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Long Beach Community College District's basic financial statements.

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2005, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$18,500,000.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 – SUBSEQUENT EVENT:

On November 29, 2005 the District offered for sale \$65,000,000 in general obligation bonds and \$28,224,000 in general obligation refunding bonds. The bonds are issued in order to refund certain outstanding general obligation bonds of the District, authorized by an election conducted within the District in March 2002 pursuant to provisions of Proposition 39/Measure E, and to fund certain capital improvements of the District.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
The Citizen's Oversight Committee
Long Beach Community College District
1100 North Grand Avenue
Walnut, California 91789

Chairman
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We have audited the basic financial statements of Long Beach Community College District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 4, 2005. We have also audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual for the Bond Construction Fund of the Long Beach Community College District as of and for the year ended June 30, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Long Beach Community College District's internal control over financial reporting of the Bond Construction Fund in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Community College District's Bond Construction Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board, the Citizens' Oversight Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 4, 2005

**LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005**

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2005.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BOND CONSTRUCTION FUND

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2005

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2004.