

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

June 30, 2010



**LONG BEACH
CITY COLLEGE**

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

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

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, 2010, and have issued our report thereon dated December 2, 2010. 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 (Measure E, March 2002) of the Long Beach Community College District as of and for the year ended June 30, 2010. 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 (Measure E, March 2002) in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Bond Construction Fund (Measure E, March 2002) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Construction Fund (Measure E, March 2002) 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 (Measure E, March 2002) of the Long Beach Community College District as of June 30, 2010 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 December 2, 2010 on our consideration of the Long Beach Community College District's internal control over financial reporting for the Bond Construction Fund (Measure E, March 2002) 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 for the Bond Construction Fund (Measure E, March 2002). 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

December 2, 2010

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, MARCH 2002)
BALANCE SHEET
BOND CONSTRUCTION FUND
June 30, 2010

ASSETS

Cash in county treasury	\$	10,058,995
Accounts receivable		21,663
TOTAL ASSETS		<u><u>\$ 10,080,658</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	4,149,216
Due to bond construction fund (Measure E, 2008)		<u>5,931,442</u>
TOTAL LIABILITIES		<u>10,080,658</u>
TOTAL FUND BALANCE		<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE		<u><u>\$ 10,080,658</u></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

BOND CONSTRUCTION FUND

For the Fiscal Year Ended June 30, 2010

REVENUES

Revenues from local sources

Interest income

\$ 203,878

TOTAL REVENUES

203,878

EXPENDITURES

Classified salaries

75,198

Employee benefits

25,491

Supplies and materials

68,170

Other expenses and services

4,578,447

Capital outlay

11,298,782

TOTAL EXPENDITURES

16,046,088

Excess of expenditures over revenues

(15,842,210)

Net change in fund balance

(15,842,210)

Fund balance at beginning of year

15,842,210

Fund balance at end of year

\$ -

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, 2010

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from local sources			
Interest income	\$ 137,206	\$ 203,878	\$ 66,672
TOTAL REVENUES	<u>137,206</u>	<u>203,878</u>	<u>66,672</u>
EXPENDITURES			
Classified salaries	75,198	75,198	-
Employee benefits	25,491	25,491	-
Supplies and materials	68,170	68,170	-
Other expenses and services	4,578,447	4,578,447	-
Capital outlay	<u>11,298,782</u>	<u>11,298,782</u>	-
TOTAL EXPENDITURES	<u>16,046,088</u>	<u>16,046,088</u>	-
Excess of expenditures over revenues	<u>\$ (15,908,882)</u>	(15,842,210)	<u>\$ 66,672</u>
Fund balance at beginning of year		<u>15,842,210</u>	
Fund balance at end of year		<u>\$ -</u>	

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, 2010

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 (Measure E, March 2002) 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 (Measure E, March 2002) 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.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

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 (Measure E, March 2002) are determined by its measurement focus. The Bond Construction Fund (Measure E, March 2002) 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 (Measure E, March 2002) are accounted for in the basic financial statements of the Long Beach Community College District.

ESTIMATES

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, 2010

NOTE 2 – DEPOSITS:

In accordance with the Budget and Accounting Manual, the District maintains its cash related to the Bond Construction Fund (Measure E, March 2002) 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 (Measure E, March 2002) deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$10,081,700.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – DUE TO BOND CONSTRUCTION FUND (Measure E, February 2008):

The due to Bond Construction Fund (Measure E, February 2008) represents amounts payable to the Fund for transferred outstanding retention payables. During 2009-10 all proceeds from the Bond Construction fund (Measure E, March 2002) issuances had been fully spent and the completion of the remaining projects will be expended in the Bond Construction Fund (Measure E, February 2008).

NOTE 4 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriation in the Bond Construction Fund (Measure E, March 2002).

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – BONDED DEBT:

On March 5, 2002, \$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 2032:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Original Maturity Dates</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
04/30/03 A (1)	2.5-5.0%	5/1/2004 to 8/1/2027	\$ 40,000,000	\$ 4,645,000	\$	\$ 1,095,000	\$ 3,550,000
11/29/05 B	3.75-5.0%	5/1/2006 to 5/1/2030	65,000,000	60,015,000		605,000	59,410,000
11/29/05 C (2)	3.75-5.0%	5/1/2006 to 5/1/2017	28,224,898	22,054,898		3,380,000	18,674,898
10/24/07 D (3)	3.63-5.0%	5/1/2013 to 5/1/2032	<u>70,999,987</u>	<u>70,999,987</u>			<u>70,999,987</u>
			<u>\$ 204,224,885</u>	<u>\$ 157,714,885</u>	<u>\$ -</u>	<u>\$ 5,080,000</u>	<u>\$ 152,634,885</u>

- (1) Revised maturity date on non-refunded portion:
Series A – 5/1/2006 to 5/1/2013
 - (2) The bonds were issued to refund certain outstanding general obligation bonds (Series A) of the District and were issued as Current Interest Bonds in the aggregate principal amount of \$21,485,000 and Capital Appreciation Bonds of \$6,739,898. \$5,502,159 in proceeds, net of costs, were deposited in the Bond Construction Fund (Measure E, March 2002). The balance of proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2010 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,175,000. This amount is scheduled to be repaid in May 2013. These bonds are considered fully defeased and are not recorded on the District's basic financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,546,000. These savings result in a re-calculation of the collections and payments towards bond payoffs and are included in the consolidated schedule noted on the subsequent page.
- The capital appreciation bonds were issued with maturity dates of May 1, 2014 through May 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Recognition of accreted interest is accounted for as a component of long-term debt in the District's basic financial statements.
- (3) \$27,449,987 of the general obligation bonds were issued as Capital Appreciation Bonds. The capital appreciation bonds were issued with maturity dates of May 1, 2013 through May 1, 2025. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Recognition of accreted interest is accounted for as a component of long-term debt in the District's basic 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, 2010

NOTE 5 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2011	\$ 5,750,000	\$	\$ 5,662,045	\$ 11,412,045
2012	6,380,000		5,434,170	11,814,170
2013	7,158,580	56,420	5,188,750	12,403,750
2014	4,181,135	3,078,865	4,912,750	12,172,750
2015	4,550,469	3,454,531	4,850,750	12,855,750
2016-2020	26,958,787	14,066,213	22,871,500	63,896,500
2021-2025	29,610,914	13,634,086	19,531,500	62,776,500
2026-2030	53,990,000		11,857,750	65,847,750
2031-2032	14,055,000		1,062,750	15,117,750
Total Debt Service	<u>\$ 152,634,885</u>	<u>\$ 34,290,115</u>	<u>\$ 81,371,965</u>	<u>\$ 268,296,965</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. The recognition of premiums on bonds is recorded as long-term liabilities and the recognition of issuance costs is recognized as capitalized fees in the basic financial statements 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***

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

We have 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 (Measure E, March 2002) of the Long Beach Community College District as of and for the year ended June 30, 2010 and have issued our report thereon dated December 2, 2010. 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 the Bond Construction Fund (Measure E, March 2002) financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Bond Construction Fund (Measure E, March 2002) financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Bond Construction Fund (Measure E, March 2002) financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over Bond Construction Fund (Measure E, March 2002) financial reporting.

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 financial statements will not be prevented or detected and corrected on a timely basis.

**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***

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over Bond Construction Fund (Measure E, March 2002) financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Community College District's Bond Construction Fund (Measure E, March 2002) 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 management, the audit committee, the Board, and the Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

December 2, 2010

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

There were no findings related to Bond Construction Fund (Measure E, March 2002) financial statements for fiscal year ended June 30, 2010. In addition, there were no findings related to Bond Construction Fund (Measure E, March 2002) financial statements for fiscal year ended June 30, 2009.