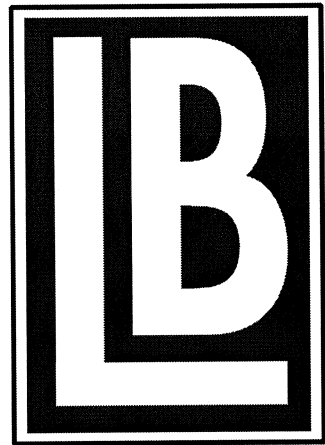


**LONG BEACH COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2007**



**CITY**  

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**COLLEGE**

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

**June 30, 2007**

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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, 2007, and have issued our report thereon dated December 14, 2007. 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, 2007. 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 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 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, 2007, 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 14, 2007 on our consideration of the Long Beach Community College District's internal control over financial reporting for the Bond Construction Fund 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. 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 14, 2007

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 39, GENERAL OBLIGATION BONDS**  
**(MEASURE E, MARCH 2002)**  
**BALANCE SHEET**  
**BOND CONSTRUCTION FUND**  
**June 30, 2007**

**ASSETS**

Cash in county treasury	\$ 43,562,663
Accounts receivable	960,121
Prepaid expenses	<u>441,843</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 44,964,627</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	<u>\$ 5,843,519</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,843,519</u></b>

**Fund Balance**

Designated	441,843
Undesignated	<u>38,679,265</u>
<b>TOTAL FUND BALANCE</b>	<b><u>39,121,108</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 44,964,627</u></b>
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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, 2007**

<b>REVENUES</b>	
Interest income	<u>\$ 3,179,254</u>
<b>TOTAL REVENUES</b>	<u>3,179,254</u>
 <b>EXPENDITURES</b>	
Classified salaries	93,687
Employee benefits	36,606
Supplies and materials	65,801
Other expenses and services	8,875,115
Capital outlay	<u>23,013,019</u>
<b>TOTAL EXPENDITURES</b>	<u>32,084,228</u>
Net change in fund balance	<u>(28,904,974)</u>
Fund balance, beginning of year, as originally stated	69,092,239
Restatement (See Note 6)	<u>(1,066,157)</u>
Fund balance, beginning of year, as restated	<u>68,026,082</u>
Fund balance, end of year	<u>\$ 39,121,108</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, 2007**

	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Interest income	\$ 690,922	\$ 3,179,254	\$ 2,488,332
<b>TOTAL REVENUES</b>	<u>690,922</u>	<u>3,179,254</u>	<u>2,488,332</u>
<b>EXPENDITURES</b>			
Classified salaries	96,937	93,687	3,250
Employee benefits	38,290	36,606	1,684
Supplies and materials	29,011	65,801	(36,790)
Other expenses and services	7,252,178	8,875,115	(1,622,937)
Capital outlay	<u>53,535,587</u>	<u>23,013,019</u>	<u>30,522,568</u>
<b>TOTAL EXPENDITURES</b>	<u>60,952,003</u>	<u>32,084,228</u>	<u>28,867,775</u>
Net change in fund balance	<u>\$ (60,261,081)</u>	<u>(28,904,974)</u>	<u>\$ 31,356,107</u>
Fund balance, beginning of year, as originally stated		69,092,239	
Restatement (See Note 6)		<u>(1,066,157)</u>	
Fund balance, beginning of year, as restated		<u>68,026,082</u>	
Fund balance, end of year		<u>\$ 39,121,108</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, 2007**

**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, 2007**

**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 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, 2007, as provided by the pool sponsor, was \$43,532,922. Interest earned is deposited quarterly into the participating fund. Any investment losses are proportionately shared by all funds in the pool.

**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	\$ 36,790
Other expenses and services	1,622,937

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 4 – 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 2030:

Date of Issue	Interest Rate %	Original Maturity Dates (1)	Amount of Original Issue	Outstanding July 1, 2006	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2007
04/30/03 A	2.5-5.0%	5/1/2004 to 8/1/2027	\$ 40,000,000	\$ 7,675,000	\$	\$ 970,000	\$ 6,705,000
11/29/05 B	3.75-5.0%	5/1/2006 to 5/1/2030	65,000,000	63,200,000		2,115,000	61,085,000
11/29/05 C (2)	3.75-5.0%	5/1/2006 to 5/1/2017	<u>28,224,898</u>	<u>28,074,898</u>		<u>300,000</u>	<u>27,774,898</u>
			<u>\$ 133,224,898</u>	<u>\$ 98,949,898</u>	<u>\$ -</u>	<u>\$ 3,385,000</u>	<u>\$ 95,564,898</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. \$5,519,550 in proceeds were deposited in the Bond Construction Fund. The balance of proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2007 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,175,000. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,546,350. The present value of economic gain to the District amounts to approximately \$955,810. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 4 – BONDED DEBT: (continued)**

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2007, are as follows:

Year Ended June 30,	Principal	Accreted Interest	Interest	Total
2008	\$ 4,430,000	\$	\$ 4,023,932	\$ 8,453,932
2009	4,420,000		3,875,908	8,295,908
2010	5,080,000		3,707,532	8,787,532
2011	5,750,000		3,514,295	9,264,295
2012	6,380,000		3,286,420	9,666,420
2013-2017	20,779,898	12,715,102	13,677,750	47,172,750
2018-2022	13,300,000		10,961,750	24,261,750
2023-2027	19,695,000		7,033,250	26,728,250
2028-2030	15,730,000		1,609,750	17,339,750
Total Debt Service	<u>\$ 95,564,898</u>	<u>\$ 12,715,102</u>	<u>\$ 51,690,587</u>	<u>\$ 159,970,587</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, 2007, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$126,919,000.

**NOTE 6 – RESTATEMENT TO BEGINNING FUND BALANCE:**

The beginning fund balance has been restated to reflect construction project retention amounts due to vendors for work completed during the 2005-06 fiscal year. The liability associated with retainage was \$1,066,157.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 7 –SUBSEQUENT EVENT:**

**General Obligation Bonds**

On August 28, 2007 the Board authorized the District to issue Series D general obligation bonds in the aggregate amount of \$70,999,987. The bonds are authorized by an election conducted within the district March 2002 under Proposition 39 and were issued on October 24, 2007. The bonds are issued in order to finance the construction, acquisition, furnishing and equipping of District facilities.



**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 of the Long Beach Community College District as of and for the year ended June 30, 2007 and have issued our report thereon dated December 14, 2007. 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 Bond Construction Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

**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**

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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 significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

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 management, the audit committee, the Board, the California Department of Finance, the State Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007

**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, 2007**

**FINDING 07-1 – INTERNAL CONTROLS – CLOSING PROCESS ACCRUALS**

**Finding:** Our testing disclosed two errors in current year retention accruals due to a duplication and a keying error resulting in an overstatement of accounts payable of \$777,677. In addition, it was noted that two insurance payments with coverage extending into fiscal year 2007-08 were fully expensed in 2006-07, resulting in an understatement of prepaid expense of \$441,843. Statement on Auditing Standards No. 112 (SAS 112), effective during the 2006-07 fiscal year, suggests that audit adjustments are a strong indicator of a material weakness in internal controls over financial reporting.

**Recommendation:** The District should establish a formal closing procedure that allows for the review of accruals for accuracy and reasonableness. In addition, staff should be trained on the appropriate accounting for expenditures that have a period extending beyond the current fiscal year.

**District Response:** The District's corrective action plan has two components: staff training and internal review. The District will immediately begin a training program for all staff members of the Fiscal Services Department. The training program will cover:

1. The purpose of the year-end closing process
2. The components of the year-end closing process including:
  - a. Closing out purchase orders
  - b. Accrual entries for payables
  - c. Accrual entries for receivables
  - d. Reconciling cash with fiscal agent and clearing accounts
  - e. Booking prepaid expenses
  - f. Validation of construction retention amounts
3. Staff level assignment of responsibilities for the items listed above, along with timelines
4. An assessment/evaluation tool to verify that each staff member has a clear conceptual understanding and the skills to meet the responsibilities of their assignment.

To minimize errors in the year-end closing entries the District will use a dual review system, where entries will initially be reviewed by the responsible manager/supervisor. A second level review will be conducted by a higher level administrator, either the Deputy Director or the Director of the Fiscal Services Department. Each review will focus on materiality and random sampling.

**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, 2007**

There were no findings and questioned costs related to the financial audit of the Bond Construction Fund for the year ended June 30, 2006.