

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2006**

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

**June 30, 2006**

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**Chairman**

ROYCE A. STUTZMAN

**Partners**

PETER F. GAUTREAU

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MARY ANN QUAY

LINDA M. SADDLEMIRE

**INDEPENDENT AUDITORS' REPORT**

**Principal**

JERI A. WENGER

**Senior Managers**

JANETTE CAMPS

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

TINA HENTON

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

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

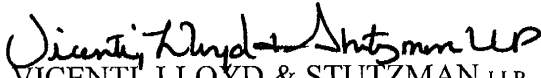
We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Long Beach Community College District, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We have also audited 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, 2006. 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, 2006, 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 October 20, 2006 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

October 20, 2006

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39, GENERAL OBLIGATION BONDS**

**(MEASURE E, MARCH 2002)**

**BALANCE SHEET**

**BOND CONSTRUCTION FUND**

**June 30, 2006**

**ASSETS**

|                         |                             |
|-------------------------|-----------------------------|
| Cash in County Treasury | \$ 71,120,854               |
| Accounts Receivable     | <u>1,129,700</u>            |
| <b>TOTAL ASSETS</b>     | <b><u>\$ 72,250,554</u></b> |

**LIABILITIES AND FUND BALANCE**

**Liabilities**

|                          |                         |
|--------------------------|-------------------------|
| Accounts Payable         | <u>\$ 3,158,315</u>     |
| <b>TOTAL LIABILITIES</b> | <b><u>3,158,315</u></b> |

**Fund Balance**

|                           |                          |
|---------------------------|--------------------------|
| Undesignated              | <u>69,092,239</u>        |
| <b>TOTAL FUND BALANCE</b> | <b><u>69,092,239</u></b> |

|   |                             |
|---|-----------------------------|
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b><u>\$ 72,250,554</u></b> |
|---|-----------------------------|

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, 2006**

**REVENUES**

|                             |                  |
|-----------------------------|------------------|
| Revenues from Local Sources |                  |
| Interest Income             | \$ 2,262,809     |
| Other Local Revenues        | <u>1,870</u>     |
| <b>TOTAL REVENUES</b>       | <u>2,264,679</u> |

**EXPENDITURES**

|                             |                   |
|-----------------------------|-------------------|
| Classified Salaries         | 39,605            |
| Employee Benefits           | 15,046            |
| Supplies and Materials      | 131,746           |
| Other Expenses and Services | 6,280,710         |
| Capital Outlay              | <u>16,795,022</u> |
| <b>TOTAL EXPENDITURES</b>   | <u>23,262,129</u> |

Deficiency of revenues over expenditures (20,997,450)

**OTHER FINANCING SOURCES**

|                                      |                   |
|--------------------------------------|-------------------|
| Proceeds From Sale of Bonds          | <u>70,519,550</u> |
| <b>TOTAL OTHER FINANCING SOURCES</b> | <u>70,519,550</u> |

Excess of revenues over expenditures  
and other sources 49,522,100

Fund Balance at Beginning of Year 19,570,139

Fund Balance at End of Year \$ 69,092,239

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, 2006**

|   | <b>Budget</b>        | <b>Actual</b>          | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---|----------------------|------------------------|---|
| <b>REVENUES</b>   |                      |                        |   |
| Revenues from Local Sources                               |                      |                        |   |
| Interest Income   | \$ 700,000           | \$ 2,262,809           | \$ 1,562,809                                    |
| Other Local Sources                                       | <u>          -</u>   | <u>          1,870</u> | <u>          1,870</u>                          |
| <b>TOTAL REVENUES</b>                                     | <u>700,000</u>       | <u>2,264,679</u>       | <u>1,564,679</u>                                |
| <b>EXPENDITURES</b>                                       |                      |                        |   |
| Classified Salaries                                       | -                    | 39,605                 | (39,605)  |
| Employee Benefits   | -                    | 15,046                 | (15,046)  |
| Supplies and Materials                                    | 150,000              | 131,746                | 18,254  |
| Other Operating Expenses and Services                     | 12,438,618           | 6,280,710              | 6,157,908                                       |
| Capital Outlay  | <u>20,441,900</u>    | <u>16,795,022</u>      | <u>3,646,878</u>                                |
| <b>TOTAL EXPENDITURES</b>                                 | <u>33,030,518</u>    | <u>23,262,129</u>      | <u>9,768,389</u>                                |
| Excess (deficiency) of revenues over expenditures         | <u>(32,330,518)</u>  | <u>(20,997,450)</u>    | <u>11,333,068</u>                               |
| <b>OTHER FINANCING SOURCES</b>                            |                      |                        |   |
| Proceeds from Sale of Bonds                               | <u>75,000,000</u>    | <u>70,519,550</u>      | <u>(4,480,450)</u>                              |
| <b>TOTAL OTHER FINANCING SOURCES</b>                      | <u>75,000,000</u>    | <u>70,519,550</u>      | <u>(4,480,450)</u>                              |
| Excess of revenues over expenditures<br>and other sources | <u>\$ 42,669,482</u> | 49,522,100             | <u>\$ 6,852,618</u>                             |
| Fund Balance at Beginning of Year                         |                      | <u>19,570,139</u>      |   |
| Fund Balance at End of Year                               |                      | <u>\$ 69,092,239</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, 2006**

**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, 2006**

**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, 2006, as provided by the pool sponsor, was \$71,084,125. 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:

|                     |           |
|---------------------|-----------|
| Classified Salaries | \$ 39,605 |
| Employee Benefits   | 15,046    |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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:

| <u>Date of Issue</u> | <u>Interest Rate %</u> | <u>Original Maturity Date (1)</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2005</u> | <u>Issued Current Year</u> | <u>Redeemed Current Year (3)</u> | <u>Outstanding June 30, 2006</u> |
|----------------------|------------------------|-----------------------------------|---------------------------------|---------------------------------|----------------------------|----------------------------------|----------------------------------|
| 04/30/03 A           | 2.5-5.0%               | 5/1/2004 to 8/1/2027              | \$ 40,000,000                   | \$ 35,800,000                   | \$                         | \$ 28,125,000                    | \$ 7,675,000                     |
| 11/29/05 B           | 3.75-5.0%              | 5/1/2006 to 5/1/2030              | 65,000,000                      |                                 | 65,000,000                 | 1,800,000                        | 63,200,000                       |
| 11/29/05 C(2)        | 3.75-54.0%             | 5/1/2006 to 5/1/2017              | <u>28,224,898</u>               |                                 | <u>28,224,898</u>          | <u>150,000</u>                   | <u>28,074,898</u>                |
|                      |                        |                                   | <u>\$133,224,898</u>            | <u>\$ 35,800,000</u>            | <u>\$ 93,224,898</u>       | <u>\$ 30,075,000</u>             | <u>\$ 98,949,898</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, 2006 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.

(3) Redeemed current year to refunded bond escrow agent:  
Series A - \$27,175,000

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 4 – BONDED DEBT: (continued)**

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2006, are as follows:

| <u>Year Ended<br/>June 30</u> | <u>Principal</u>     | <u>Accreted<br/>Interest</u> | <u>Interest</u>      | <u>Total</u>          |
|-------------------------------|----------------------|------------------------------|----------------------|-----------------------|
| 2007                          | \$ 3,385,000         | \$                           | \$ 4,153,295         | \$ 7,538,295          |
| 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             |
| 2012-2016                     | 23,700,961           | 9,274,039                    | 14,426,170           | 47,401,170            |
| 2017-2021                     | 13,643,937           | 3,441,063                    | 11,572,750           | 28,657,750            |
| 2022-2026                     | 18,270,000           |                              | 7,946,750            | 26,216,750            |
| 2027-2030                     | 20,270,000           |                              | 2,623,250            | 22,893,250            |
| Total Debt Service            | <u>\$ 98,949,898</u> | <u>\$ 12,715,102</u>         | <u>\$ 55,843,882</u> | <u>\$ 167,508,882</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, 2006, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$20,094,800.



**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**

ROYCE A. STUTZMAN

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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, 2006, and have issued our report thereon dated October 20, 2006. 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, 2006. 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

October 20, 2006

**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, 2006**

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

**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, 2006**

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