

LONG BEACH COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
FINANCIAL AUDIT**

June 30, 2014



**LONG BEACH
CITY COLLEGE**

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
FINANCIAL AUDIT

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 fiscal year ended June 30, 2014, and have issued our report thereon dated December 1, 2014. We have also audited the accompanying financial statements of the Bond Construction Fund (Measure E, February 2008) of the Long Beach Community College District as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 financial statements.

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


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Construction Fund (Measure E, February 2008) of the Long Beach Community College District as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of the Long Beach Community College District's internal control over the Bond Construction Fund (Measure E, February 2008) 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 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 the Bond Construction Fund (Measure E, February 2008) financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Long Beach Community College District's internal control over the Bond Construction Fund (Measure E, February 2008) financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2014

LONG BEACH COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)**

BALANCE SHEET

BOND CONSTRUCTION FUND

June 30, 2014

ASSETS

Cash in county treasury	\$ 94,531,166
Accounts receivable	375,843
Prepaid expenses	152,043
TOTAL ASSETS	\$ 95,059,052

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 7,846,212
TOTAL LIABILITIES	7,846,212

Fund Balance

Restricted	87,212,840
TOTAL FUND BALANCE	87,212,840

TOTAL LIABILITIES AND FUND BALANCE	\$ 95,059,052
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See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2014

REVENUES

Revenues from local sources	
Interest income	\$ 716,087
TOTAL REVENUES	<u>716,087</u>

EXPENDITURES

Classified salaries	54,444
Employee benefits	22,888
Supplies and materials	14,810
Other expenses and services	6,783,349
Capital outlay	<u>30,611,357</u>
TOTAL EXPENDITURES	<u>37,486,848</u>

Net change in fund balance	(36,770,761)
Fund balance at beginning of year	<u>123,983,601</u>
Fund balance at end of year	<u>\$ 87,212,840</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2014

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenues from local sources			
Interest income	\$ 624,015	\$ 716,087	\$ 92,072
TOTAL REVENUES	624,015	716,087	92,072
EXPENDITURES			
Classified salaries	76,636	54,444	22,192
Employee benefits	27,368	22,888	4,480
Supplies and materials	226,482	14,810	211,672
Other expenses and services	23,928,180	6,783,349	17,144,831
Capital outlay	196,090,382	30,611,357	165,479,025
TOTAL EXPENDITURES	220,349,048	37,486,848	182,862,200
Excess (deficiency) of revenues over expenditures	(219,725,033)	(36,770,761)	182,954,272
OTHER FINANCING SOURCES			
Proceeds from sale of bonds	155,323,626	-	(155,323,626)
TOTAL OTHER FINANCING SOURCES	155,323,626	-	(155,323,626)
Net change in fund balance	\$ (64,401,407)	(36,770,761)	\$ 27,630,646
Fund balance at beginning of year		123,983,601	
Fund balance at end of year		\$ 87,212,840	

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, February 2008) 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, February 2008) of the Long Beach Community College District (the 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.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Restricted fund balances are amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The fund balance of the Bond Construction Fund is therefore classified as restricted.

Balances at June 30, 2014 were restricted for the following uses:

Capital projects	\$ 87,212,840
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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, February 2008) are determined by its measurement focus. The Bond Construction Fund (Measure E, February 2008) 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, February 2008) are accounted for in the basic financial statements of the Long Beach Community College District.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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.

NOTE 2 – DEPOSITS:

In accordance with the Budget and Accounting Manual, the District maintains its cash related to the Bond Construction Fund (Measure E, February 2008) 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 value of the District's Bond Construction Fund (Measure E, February 2008) deposits in this pool as of June 30, 2014, as provided by the pool sponsor, was \$94,320,909 and is based upon the District's pro-rata share of the fair value for the entire portfolios (in relation to the amortized cost of the portfolio).

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 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriation in the Bond Construction Fund (Measure E, February 2008).

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – BONDED DEBT:

On February 5, 2008, \$440 million in general obligation bonds were authorized by an election held within the Long Beach Community College District under Proposition 39/Measure E. Proceeds from the sale of the bonds will be used to finance various capital projects, and related costs, as specified in the bond measure provisions.

The following summarizes the outstanding bonded debt of the District at June 30, 2014:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Dates</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Addition Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
7/24/2008	A(1) 3.59-5.45%	6/1/2012 to 6/1/2033	\$ 48,373,981	\$ 47,537,904	\$	\$ 7,689,020	\$ 39,848,884
12/12/2012	B(2) 2.00-5.00%	8/1/2013 to 8/1/2049	237,003,695	237,003,695		4,420,000	232,583,695
3/11/2014	C(3) 0.66-4.10%	8/1/2016 to 8/1/2026	11,825,000		11,825,000		11,825,000
			<u>\$ 297,202,676</u>	<u>\$ 284,541,599</u>	<u>\$ 11,825,000</u>	<u>\$ 12,109,020</u>	<u>\$ 284,257,579</u>

- (1) \$23,383,981 of the general obligation bonds were issued as Capital Appreciation Bonds. The capital appreciation bonds were issued with maturity dates of June 1, 2012 through June 1, 2018 and June 1, 2027 through June 1, 2033. 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.
- (2) \$4,827,984 and \$50,630,711 of the general obligation bonds were issued as Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, respectively. The capital appreciation bonds were issued with maturity dates of August 1, 2033 and August 1, 2034. The convertible capital appreciation bonds will convert to current interest bonds that will mature on August 1, 2049. 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. The bonds were issued with a premium of \$23,938,860 of which \$16,534,331 was recorded in the Bond Construction Fund for payment of costs of issuance and the District's BAN repayment.
- (3) The general obligation refunding bonds were issued to partially refund the Series A bonds. Proceeds in the amount of \$10,114,154 were deposited in an escrow fund and will be used to fund the future required principal and interest payments of the refunded bonds. \$1,500,000, net of costs of issuance were deposited into the District's Bond Interest and Redemption Fund for debt service.

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2015	\$ 2,428,877	\$ 161,123	\$ 9,040,488	\$ 11,630,488
2016	3,053,897	246,103	9,016,462	12,316,462
2017	4,264,312	415,688	8,912,218	13,592,218
2018	3,510,693	829,307	8,852,547	13,192,547
2019	3,035,000		8,794,705	11,829,705
2020-2024	30,405,000		41,266,487	71,671,487
2025-2029	42,456,349	10,543,651	32,817,423	85,817,423
2030-2034	35,429,507	24,280,493	31,368,350	91,078,350
2035-2039	51,768,233	6,936,767	50,276,850	108,981,850
2040-2044	63,540,193	9,484,807	35,955,500	108,980,500
2045-2049	36,087,508	54,632,491	18,269,450	108,989,449
2050	<u>8,278,010</u>	<u>12,531,990</u>	<u>988,475</u>	<u>21,798,475</u>
Total Debt Service	<u>\$ 284,257,579</u>	<u>\$ 120,062,420</u>	<u>\$ 255,558,955</u>	<u>\$ 659,878,954</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 in the basic financial statements of the District.

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$30.4 million to be funded through general obligation bond proceeds and state funding for capital outlay projects.



**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, 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 financial statements of the Bond Construction Fund (Measure E, February 2008) of the Long Beach Community College District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Bond Construction Fund (Measure E, February 2008) financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over the Bond Construction Fund (Measure E, February 2008) financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 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.

**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 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 Bond Construction Fund (Measure E, February 2008) 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2014

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BOND CONSTRUCTION FUND

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

There were no findings related to Bond Construction Fund (Measure E, February 2008) financial statements for fiscal year ended June 30, 2014 and June 30, 2013.