

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

June 30, 2012



**LONG BEACH
CITY COLLEGE**

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

June 30, 2012

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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

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, 2012, and have issued our report thereon dated November 27, 2012. 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, February 2008) of the Long Beach Community College District as of and for the year ended June 30, 2012. 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, February 2008) 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, February 2008) 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, February 2008) 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, February 2008) of the Long Beach Community College District as of June 30, 2012, 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 27, 2012 on our consideration of the Long Beach Community College District's internal control over financial reporting for the Bond Construction Fund (Measure E, February 2008) 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, February 2008). 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

November 27, 2012

LONG BEACH COMMUNITY COLLEGE DISTRICT

PROPOSITION 39, GENERAL OBLIGATION BONDS

(MEASURE E, FEBRUARY 2008)

BALANCE SHEET

BOND CONSTRUCTION FUND

June 30, 2012

ASSETS

Cash in county treasury	\$	76,377,092
Accounts receivable		155,584
Prepaid expenses		954,184
TOTAL ASSETS	\$	<u>77,486,860</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	9,415,421
TOTAL LIABILITIES		<u>9,415,421</u>

Fund Balance

Restricted		<u>68,071,439</u>
TOTAL FUND BALANCE		<u>68,071,439</u>

TOTAL LIABILITIES AND FUND BALANCE	\$	<u>77,486,860</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, FEBRUARY 2008)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2012

REVENUES

Revenues from local sources	
Interest income	\$ <u>895,826</u>
TOTAL REVENUES	<u>895,826</u>

EXPENDITURES

Classified salaries	60,659
Employee benefits	25,488
Supplies and materials	18,059
Other expenses and services	7,365,823
Capital outlay	16,772,650
Debt service	<u>14,775,000</u>
TOTAL EXPENDITURES	<u>39,017,679</u>
 Net change in fund balance	 (38,121,853)
 Fund balance at beginning of year	 <u>106,193,292</u>
 Fund balance at end of year	 <u>\$ 68,071,439</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, 2012

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenues from local sources			
Interest income	\$ 1,073,369	\$ 895,826	\$ (177,543)
TOTAL REVENUES	<u>1,073,369</u>	<u>895,826</u>	<u>(177,543)</u>
EXPENDITURES			
Classified salaries	146,678	60,659	86,019
Employee benefits	54,145	25,488	28,657
Supplies and materials	277,774	18,059	259,715
Other expenses and services	40,512,733	7,365,823	33,146,910
Capital outlay	275,839,305	16,772,650	259,066,655
Debt service	<u>164,814,807</u>	<u>14,775,000</u>	<u>150,039,807</u>
TOTAL EXPENDITURES	<u>481,645,442</u>	<u>39,017,679</u>	<u>442,627,763</u>
Excess (deficiency) of Revenues over Expenditures	<u>(480,572,073)</u>	<u>(38,121,853)</u>	<u>442,450,220</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	<u>392,327,321</u>	<u> </u>	<u>(392,327,321)</u>
TOTAL OTHER FINANCING SOURCES	<u>392,327,321</u>	<u> </u>	<u>(392,327,321)</u>
Net change in fund balance	<u>\$ (88,244,752)</u>	(38,121,853)	<u>\$ 50,122,899</u>
Fund balance at beginning of year		<u>106,193,292</u>	
Fund balance at end of year		<u>\$ 68,071,439</u>	

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, 2012

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 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 revised 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, 2012

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 bond construction fund balance is therefore classified as restricted.

Restricted balances at June 30, 2012 were restricted for the following uses:

Capital projects	\$ <u>68,071,439</u>
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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, 2012

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 market value of the District's Bond Construction Fund (Measure E, February 2008) deposits in this pool as of June 30, 2012, as provided by the pool sponsor, was \$76,471,152.

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, 2012

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 the renovation of science, nursing, police and firefighting classrooms' upgrade classroom technology and high-tech training labs; repair aging roofs, electrical plumbing, heating, and ventilation; and upgrade/construct/equip/acquire classrooms, facilities, and sites as well as the prepayment of certain lease obligations of the District.

The following summarizes the debt service requirements on the District for such bonds which mature annually through fiscal year 2033:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Dates</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2011</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2012</u>
7/8/2008 A (1)	3.59-5.45%	6/1/2012 to 6/1/2033	<u>\$ 48,373,981</u>	<u>\$ 48,373,981</u>	<u>\$ 326,959</u>	<u>\$ 48,047,022</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.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2013	\$ 509,118	\$ 100,882	\$ 1,219,675	\$ 1,829,675
2014	657,319	167,681	1,219,675	2,044,675
2015	591,014	188,986	1,219,675	1,999,675
2016	740,302	289,698	1,219,675	2,249,675
2017	1,040,767	489,233	1,219,675	2,749,675
2018-2022	11,114,134	975,866	5,552,325	17,642,325
2023-2027	17,726,901	3,453,099	2,062,500	23,242,500
2028-2032	12,936,974	28,713,025		41,649,999
2033	2,730,493	7,659,508		10,390,001
Total Debt Service	<u>\$ 48,047,022</u>	<u>\$ 42,037,978</u>	<u>\$ 13,713,200</u>	<u>\$ 103,798,200</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.

NOTE 5 – BOND ANTICIPATION NOTE:

On January 7, 2010, the District issued \$150,000,000 in General Obligation Bond Anticipation Notes (the Notes). The Notes were issued to provide continued financing of Measure E, February 2008 projects.

The principal on the Notes is payable on January 15, 2013; however, the District will pay interest on an annual basis. The interest rate is 9.85% per annum. The principal amount of the Notes, together with the interest may be payable from the proceeds of any future sale of Bonds pursuant to the authorization, or from other funds of the District lawfully available for the purpose of repaying the Notes.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – BOND ANTICIPATION NOTE: (continued)

\$29,550,000 in premiums, net of issuance costs, was received and was restricted for the payment of interest. Interest of \$14,775,000, fully expending the premiums received, was paid during the current fiscal year.

NOTE 6 – PURCHASE COMMITMENTS:

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$39.1 million to be funded through bond anticipation note proceeds.

NOTE 7 – SUBSEQUENT EVENTS:

The District issued \$41 million General Obligation Refunding Bonds, 2002 Election, Series A on August 15, 2012. The bonds were issued with interest rates of 3% to 5% and will fully mature on May 1, 2030. The bonds were sold to effect an advance refunding of the District's outstanding General Obligation Bonds, 2002 Election, Series B (2005).

In June 2012, the Board of Trustees authorized the sale of \$275 million General Obligation Bonds, 2008 Election, Series B. Proceeds from the bonds will be used to refund the current Bond Anticipation Notes of \$150 million and for construction and improvements of various capital facilities of the District. The District anticipates issuing the bonds in December 2012.



**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, February 2008) of the Long Beach Community College District as of and for the year ended June 30, 2012 and have issued our report thereon dated November 27, 2012. 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

Management of Long Beach Community College District is responsible for establishing and maintaining effective internal control over reporting. In planning and performing our audit, we considered Long Beach Community College District's internal control over the Bond Construction Fund (Measure E, February 2008) financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Bond Construction Fund (Measure E, February 2008) 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, February 2008) financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over Bond Construction Fund (Measure E, February 2008) 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 statement 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, February 2008) 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, 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*.

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

November 27, 2012

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

There were no findings related to Bond Construction Fund (Measure E, February 2008) financial statements for fiscal year ended June 30, 2012. In addition, there were no findings related to Bond Construction Fund (Measure E, February 2008) financial statements for your ended June 30, 2011.