

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

June 30, 2013



**LONG BEACH
CITY COLLEGE**

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

June 30, 2013

CONTENTS

	<u>Page</u>
Independent Auditor’s Report.....	1-2
Balance Sheet –Bond Construction Fund	3
Statement of Revenues, Expenditures and Change in Fund Balance – Bond Construction Fund	4
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual –Bond Construction Fund	5
Notes to the Financial Statements	6-11
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.....	12-13
Schedule of Findings and Responses.....	14



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, 2013, and have issued our report thereon dated November 20, 2013. 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, 2013, 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

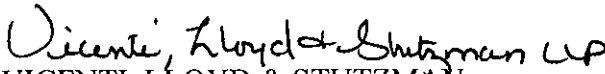
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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 November 20, 2013 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, CA
November 20, 2013

LONG BEACH COMMUNITY COLLEGE DISTRICT
PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE E, FEBRUARY 2008)
BALANCE SHEET
BOND CONSTRUCTION FUND
June 30, 2013

ASSETS

Cash in county treasury	\$ 129,663,560
Accounts receivable	354,989
Prepaid expenses	<u>626,177</u>
TOTAL ASSETS	<u>\$ 130,644,726</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	<u>\$ 6,661,125</u>
TOTAL LIABILITIES	<u>6,661,125</u>

Fund Balance

Restricted	<u>123,983,601</u>
TOTAL FUND BALANCE	<u>123,983,601</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 130,644,726</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
BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2013

REVENUES

Revenues from local sources	
Interest income	\$ <u>685,317</u>
TOTAL REVENUES	<u>685,317</u>

EXPENDITURES

Classified salaries	63,543
Employee benefits	24,585
Supplies and materials	61,961
Other expenses and services	8,588,646
Capital outlay	24,469,113
Debt service	<u>165,103,333</u>
TOTAL EXPENDITURES	<u>198,311,181</u>

Deficiency of revenues over expenditures	<u>(197,625,864)</u>
--	----------------------

OTHER FINANCING SOURCES

Proceeds from sale of bonds	<u>253,538,026</u>
TOTAL OTHER FINANCING SOURCES	<u>253,538,026</u>

Net change in fund balance	55,912,162
Fund balance at beginning of year	<u>68,071,439</u>
Fund balance at end of year	<u>\$ <u>123,983,601</u></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, 2013

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenues from local sources			
Interest income	\$ 426,536	\$ 685,317	\$ 258,781
TOTAL REVENUES	426,536	685,317	258,781
EXPENDITURES			
Classified salaries	86,019	63,543	22,476
Employee benefits	28,657	24,585	4,072
Supplies and materials	259,714	61,961	197,753
Other expenses and services	33,192,909	8,588,646	24,604,263
Capital outlay	257,798,169	24,469,113	233,329,056
Debt service	165,103,333	165,103,333	-
TOTAL EXPENDITURES	456,468,801	198,311,181	258,157,620
Excess (deficiency) of revenues over expenditures	(456,042,265)	(197,625,864)	258,416,401
OTHER FINANCING SOURCES			
Proceeds from sale of bonds	407,390,847	253,538,026	(153,852,821)
TOTAL OTHER FINANCING SOURCES	407,390,847	253,538,026	(153,852,821)
Net change in fund balance	\$ (48,651,418)	55,912,162	\$ 104,563,580
Fund balance at beginning of year		68,071,439	
Fund balance at end of year		\$ 123,983,601	

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, 2013

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, 2013

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.

Restricted balances at June 30, 2013 were restricted for the following uses:

Capital projects	\$ <u>123,983,601</u>
------------------	-----------------------

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, 2013

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, 2013, as provided by the pool sponsor, was \$129,301,023 as 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, 2013

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 2049:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Dates</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
7/24/2008	A(1) 3.59-5.45%	6/1/2012 to 6/1/2033	\$ 48,373,981	\$ 48,047,022	\$ 509,118	\$ 47,537,904
12/12/2012	B(2) 2.00-5.00%	8/1/2013 to 8/1/2049	237,003,695			237,003,695
			<u>\$ 285,377,676</u>	<u>\$ 48,047,022</u>	<u>\$ 509,118</u>	<u>\$ 284,541,599</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 BAN repayment.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2014	\$ 5,077,319	\$ 167,681	\$ 6,195,463	\$ 11,440,463
2015	2,516,014	188,986	8,953,475	11,658,475
2016	3,165,302	289,698	8,895,725	12,350,725
2017	2,225,767	489,233	8,798,725	11,513,725
2018	2,889,134	975,866	8,751,325	12,616,325
2019-2023	22,975,000		41,955,200	64,930,200
2024-2028	40,591,141	7,578,859	34,550,500	82,720,500
2029-2033	44,783,227	32,246,773	26,572,850	103,602,850
2034-2038	39,657,984	7,917,016	51,907,150	99,482,150
2039-2043	70,030,000		38,954,400	108,984,400
2044-2048	34,450,603	52,154,396	22,383,187	108,988,186
2049-2050	16,180,108	24,494,892	2,920,538	43,595,538
Total Debt Service	<u>\$ 284,541,599</u>	<u>\$ 126,503,400</u>	<u>\$ 260,838,538</u>	<u>\$ 671,883,537</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.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – BOND ANTICIPATION NOTES:

On January 7, 2010, the District issued \$150,000,000 in bond anticipation notes. The notes were issued to finance the acquisition, construction, equipment, furnishings and improvement of certain District facilities. The notes matured on January 15, 2013. \$165,103,332 in principal and interest were paid with proceeds from the sale of general obligation 2008 election, Series B bonds.

NOTE 6 – PURCHASE COMMITMENTS:

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$22 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, 2013, and the related notes to the financial statements, which collectively comprise the District's Bond Construction Fund (Measure E, February 2008) basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, 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***

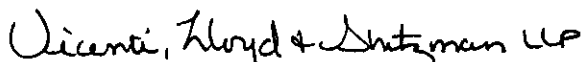
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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, CA
November 20, 2013

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

There were no findings related to Bond Construction Fund (Measure E, February 2008) financial statements for fiscal year ended June 30, 2013 and June 30, 2012.