

GLENDALE COMMUNITY COLLEGE DISTRICT

GENERAL OBLIGATION BONDS

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2006

**GLENDAL COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

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JUNE 30, 2006**

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GLENDALE COMMUNITY COLLEGE DISTRICT

GENERAL OBLIGATION BONDS

FINANCIAL AUDIT

JUNE 30, 2006



INDEPENDENT AUDITORS' REPORT

Governing Board and Citizens' Oversight Committee
Glendale Community College District General Obligation Bond
Glendale, California

We have audited the accompanying financial statements of the General Obligation Bond Construction Fund of the Glendale Community College District as of the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Glendale Community College District's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note #1, the financial statements present only the General Obligation Bond Construction Fund and do not purport to, and do not, present fairly the financial position of the Glendale Community College District as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Construction Fund of the Glendale Community College District at June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day, & Co., LLP

Rancho Cucamonga, California
September 15, 2006

**GLENDAL COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**BALANCE SHEET
JUNE 30, 2006**

ASSETS

Investments	\$ 17,516,505
Accounts receivable	226,429
Due from other funds	<u>890,024</u>
Total Assets	<u>\$ 18,632,958</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>3,675,466</u>
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FUND EQUITY

Fund balances	
Undesignated	<u>14,957,492</u>
Total Liabilities and Fund Equity	<u>\$ 18,632,958</u>

The accompanying notes are an integral part of these financial statements.

**GLENDAL COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES	
Local revenues	<u>\$ 874,604</u>
EXPENDITURES	
Current Expenditures	
Books and supplies	58,324
Services and operating expenditures	1,259,219
Capital outlay	<u>12,186,345</u>
Total Expenditures	<u>13,503,888</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,629,284)</u>
OTHER FINANCING SOURCES (USES)	
Other sources	19,466,260
Other uses	<u>(16,645,469)</u>
Total Other Financing Sources (Uses)	<u>2,820,791</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(9,808,493)
FUND BALANCE, BEGINNING OF YEAR	<u>24,765,985</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 14,957,492</u></u>

The accompanying notes are an integral part of these financial statements.

**GLENDALE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Glendale Community College District (the District) General Obligation Bond Construction Fund (the Fund) conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The District's General Obligation Bond Construction Fund accounts for financial transactions in accordance with the policies and procedures of the Contracted District Audit Manual.

A. Financial Reporting Entity

The audited financial statements include only the General Obligation Bond Construction Fund of the District. This Fund was established to account for the expenditures of the general obligation bonds issued under the General Obligation Bonds Election of March 5, 2002. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The operations of the General Obligation Bond Construction Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on the general obligation bonds, which are recognized when due.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**GLENDALE COMMUNITY COLLEGE DISTRICT
 GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006**

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes for the District. The District recognizes tax revenues when received.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period.

Actual results could differ from those estimates.

NOTE #2 – INVESTMENTS

Investments at June 30, 2006, held on behalf of the General Obligation Bond Construction Fund of the District consist of deposits in the County of Los Angeles Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	\$ 17,516,505	\$ 17,475,860

Deposits with county treasurer are an external investment pool sponsored by the County of Los Angeles. Community colleges are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 15146(b)).

Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

**GLENDALE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2006, consist of the following:

Interest	<u>\$ 226,429</u>
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NOTE #4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consists of the following:

Vendor payables	<u>\$ 3,675,466</u>
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NOTE #5 – FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Undesignated	<u>\$ 14,957,492</u>

NOTE #6 – BONDED DEBT

A. Description of Debt

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$98,000,000. At June 30, 2006, \$41,678,761 was outstanding. Interest rates on the bonds range from 2.0 percent to 5.4 percent. Through the issuance of the general obligation bonds, advance refunding of the District's certificates of participation issued in 2001 was executed.

**GLENDAL COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Under the modified accrual basis of accounting, liabilities for long-term debt are reported in the general long-term debt account group of the District rather than the general obligation of construction or other funds. A schedule of changes in long-term debt related to the general obligation bonds for the year ended June 30, 2006, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bonds and Notes Payable				
General obligation bonds, 2002 Series A	\$ 23,750,000	\$ -	\$ 18,800,000	\$ 4,950,000
General obligation bonds, 2002 Series B and C	19,013,716	680,864	-	19,694,580
General obligation refunding bonds, 2005 Series A	-	17,034,181	-	17,034,181
Total Bonds and Notes Payable	<u>\$ 42,763,716</u>	<u>\$ 17,715,045</u>	<u>\$ 18,800,000</u>	<u>\$ 41,678,761</u>

B. General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2005	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2006
2002	10/1/27	2.0% - 4.0%	\$ 27,000,000	\$ 23,750,000	\$ -	\$ -	\$ 18,800,000	\$ 4,950,000
2003	8/1/28	3.15% - 5.40%	17,499,930	19,013,716	-	680,864	-	19,694,580
2005	10/1/17	3.5% - 4.25%	16,951,097	-	16,951,097	83,084	-	17,034,181
				<u>\$ 42,763,716</u>	<u>\$ 16,951,097</u>	<u>\$ 763,948</u>	<u>\$ 18,800,000</u>	<u>\$ 41,678,761</u>

**GLENDAL COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Debt Service Requirements

The general obligation bonds 2002 Series A mature through 2013 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 650,000	\$ 131,675	\$ 781,675
2008	675,000	118,087	793,087
2009	700,000	102,250	802,250
2010	700,000	83,875	783,875
2011	725,000	63,375	788,375
2012-2013	1,500,000	52,500	1,552,500
Total	<u>\$ 4,950,000</u>	<u>\$ 551,762</u>	<u>\$ 5,501,762</u>

The general obligation bonds 2002 Series B and C mature through 2029 as follows:

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2007	\$ 2,445,000	\$ -	\$ 151,100	\$ 2,596,100
2008	2,555,000	-	51,100	2,606,100
2009	702,876	57,124	-	760,000
2010	717,120	92,880	-	810,000
2011	723,744	136,256	-	860,000
2012-2016	3,659,347	1,465,653	-	5,125,000
2017-2021	3,492,255	3,102,745	-	6,595,000
2022-2026	3,325,877	5,192,739	-	8,518,616
2027-2029	2,073,361	4,550,342	-	6,623,703
Total	<u>\$ 19,694,580</u>	<u>\$ 14,597,739</u>	<u>\$ 202,200</u>	<u>\$ 34,494,519</u>

**GLENDAL COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

The general obligation refunding bonds 2002 Series A mature through 2018 as follows:

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2007	\$ -	\$ -	\$ 562,612	\$ 562,612
2008	-	-	562,613	562,613
2009	1,755,000	-	527,512	2,282,512
2010	1,945,000	-	453,513	2,398,513
2011	2,025,000	-	379,175	2,404,175
2012-2016	9,753,118	1,531,882	725,106	12,010,106
2017-2018	1,556,063	3,318,937	-	4,875,000
Total	<u>\$ 17,034,181</u>	<u>\$ 4,850,819</u>	<u>\$ 3,210,531</u>	<u>\$ 25,095,531</u>

NOTE #7 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2006, the General Obligation Bond Construction Fund had the following commitments as defined by the bond documents:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Technology	\$ 285,453	06/01/08
Parking Structure Project	19,916,296	09/01/07
Allied Health	7,553,520	09/01/07
	<u>\$ 27,755,269</u>	



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Governing Board and Citizens' Oversight Committee
Glendale Community College District General Obligation Bond
Glendale, California

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the management of Glendale Community College District (the District) for the purpose of determining compliance with Measure G General Obligation Bond requirements for the period ended June 30, 2006. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the results of findings and recommendations are described within this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion relating to the matters included in the Agreed-Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Glendale Community College District governing board, Independent Citizens' Oversight Committee, and District administrators and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 15, 2006

**GLENDAL COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2006**

- A. Determine District procedures for disbursement of Bond Funds were applied in accordance with laws and regulations as described in the State of California Education Code, the California Chancellor's Office Budget and Accounting Manual, as well as approved Glendale Community College District Board policies for expenditures through review and testing of actual invoices, purchase orders, encumbrances, inter-fund transfers, cash in county, and construction bid documents.
- B. Review compliance with expenditure allowances for the 2005-2006 fiscal year within the Measure G Bond Initiative placed on the Local Election Ballot held on March 5, 2002.
- C. Review appropriateness of Bond expenditures for the 2005-2006 fiscal year to the object code classification within the general ledger.
- D. Analyze the balance of Measure G Bond Funds available at June 30, 2006, for future expenditures.

**GLENDAL COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2006**

Agreed-Upon Procedure (A)

Procedure

Determined District procedures for disbursement of Bond Funds were applied in accordance with laws and regulations specific to Proposition 39 Bond Funds as described in the State of California Education Code, the California Chancellor's Office Budget and Accounting Manual, as well as approved Glendale Community College District Board policies for expenditures through review and testing of actual invoices, purchase orders, encumbrances, inter-fund transfers, cash in county, and construction bid documents.

Results

We included 70 percent of all expenditures charged to the Measure G Bond Funds for the 2005-2006 fiscal year in our examination. Based upon our examination of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure G Bond Funds. The District used formal bid procedures for those contracts over the construction bid level requirements and informal bid procedures for those contracts below the construction bid level to select contractors for the various projects in accordance with Education Code requirements and District policy. Budgets for specific projects have been approved and monitored in accordance with Board requirements.

**GLENDAL COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2006**

Agreed-Upon Procedure (B)

Procedure

Reviewed compliance with expenditure allowances within the Measure G Bond Initiative placed on the Local Election Ballot held on March 5, 2002, through review of the ballot language related to various construction, renovation, and repair projects. Specifically, we reviewed expenditures to determine any on-going District charges or Administrative charges. The following table notes the expenditures reported for the 2005-2006 fiscal year and the sample selected for audit.

FUND 70

<u>Category of Expense</u>	<u>Expenditures Incurred</u>	<u>Expenditures Tested</u>	<u>Percentage of Total</u>
Supplies and materials	\$ 12,882	\$ 12,882	100%
Services and operating expenses	517,038	279,042	54%
Capital outlay	4,338,544	2,836,960	65%
Total	<u>\$ 4,868,464</u>	<u>\$ 3,128,884</u>	64%

FUND 71

Supplies and materials	\$ 45,442	\$ 45,442	100%
Services and operating expenses	361,117	361,117	100%
Capital outlay	5,502,899	3,224,297	59%
Total	<u>\$ 5,909,458</u>	<u>\$ 3,630,856</u>	61%

FUND 72

Capital outlay	\$ 2,725,956	\$ 2,654,066	97%
Total	<u>\$ 2,725,956</u>	<u>\$ 2,654,066</u>	

**ENCUMBRANCES
FUNDS 70, 71, and 72**

<u>Project Name</u>	<u>Encumbrances Incurred</u>	<u>Encumbrances Tested</u>	<u>Percentage of Total</u>
Allied Health	\$ 7,553,520	\$ 7,553,520	100%
Athletic	17,988	17,988	100%
Facility Renovation	1,850	1,850	100%
Garfield Campus	95,075	95,075	100%
Health and Wellness	40,969	40,969	100%
Infrastructure	179,908	179,908	100%
Network Telephone	9,870	9,870	100%
Parking Structure Project	19,916,296	19,916,296	100%
Planning	99,366	99,366	100%
Technology	285,453	285,453	100%
Total	<u>\$ 28,200,295</u>	<u>\$ 28,200,295</u>	

**GLENDALE COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2006**

Results

Based on our examination, there were no exceptions noted in the expenditures tested of the Measure G Bond Funds. The District has not charged on-going expenditures that are the responsibility of the District to the Measure G Bond Fund, nor has an administrative or indirect cost been charged to the Measure G Bond Fund.

Agreed-Upon Procedure (C)

Procedure

Review appropriateness of Bond expenditures to the object code classification within the general ledger.

Results

For all items noted in Agreed-Upon Procedure C, we reviewed the appropriateness of the expenditures to the object code classification within the general ledger to ensure proper classification and coding. There were no exceptions noted. The expenditures reflected within the general ledger object code classifications were proper and in accordance with provisions of the Budget and Accounting Manual issued by the California Community Colleges Chancellor's Office.

**GLENDALE COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2006**

Agreed-Upon Procedure (D)

Procedure

Analyze the balance of Measure G Bond Funds available at June 30, 2006, for future expenditures.

Results

GO Bond Fund 70 - 2002 Series A

REVENUES

2002-2003	Proceeds from sale of bonds	\$ 27,486,000
2002-2003	Interest local	257,510
2003-2004	Interest local	285,245
2004-2005	Interest local	273,399
2005-2006	Interest local	404,703
	Subtotal	<u>28,706,857</u>

EXPENSES

2002-2003	Expenses	9,619,215
2003-2004	Expenses	3,704,071
2004-2005	Expenses	3,449,386
2005-2006	Expenses	4,868,474
	Subtotal	<u>21,641,146</u>

Net Fund Balance at June 30, 2006 \$ 7,065,711

GO Bond Fund 71 - 2002 Series B and C

REVENUES

2003-2004	Proceeds from sale of bonds	\$ 17,499,930
2003-2004	Interest local	146,750
2004-2005	Interest local	299,483
2005-2006	Interest local	401,356
	Subtotal	<u>18,347,519</u>

EXPENSES

2003-2004	Expenses	1,384,962
2004-2005	Expenses	3,324,698
2005-2006	Expenses	5,909,458
	Subtotal	<u>10,619,118</u>

Net Fund Balance at June 30, 2006 \$ 7,728,401

**GLENDALE COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2006**

GO Bond Fund 72 (Refunding) - 2005 Series A

REVENUES		
2005-2006	Proceeds from refunding of bonds	\$ 19,466,260
2005-2006	Interest local	68,545
	Subtotal	<u>19,534,805</u>
EXPENSES		
2005-2006	Expenses	2,725,956
	Other uses	16,645,469
	Subtotal	<u>19,371,425</u>
Net Fund Balance at June 30, 2006		<u><u>\$ 163,380</u></u>

GO Bond Fund - All Series

REVENUES		
All Years	Proceeds from sale of bonds	\$ 44,985,930
All Years	Proceeds from refunding of bonds	19,466,260
All Years	Interest local	2,136,991
	Subtotal	<u>66,589,181</u>
EXPENSES		
All Years	Expenses	<u>51,631,689</u>
Net Fund Balance at June 30, 2006		<u><u>\$ 14,957,492</u></u>

As stated in the District's unaudited financial statements (CCFS 311) as of June 30, 2006, the total expenditures and other uses from the Measure G Bond Fund were \$30,149,357 for fiscal year 2005-2006, totaling \$51,631,689 to date. Bond proceeds in the amount of \$64,452,190, in addition to interest revenue earned to date of \$2,136,991, provide \$14,957,492 from initial issuance available for future expenditures. There were no adjustments to the District's financial records as a result of our procedures.