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INDEPENDENT AUDITOR’S REPORT

The Board of Trustees
The Citizens’ Oversight Committee
Cerritos Community College District
11110 East Alondra Boulevard
Norwalk, CA 90650

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 Revenue Bond Construction Fund – Measure CC Bond Program of the Cerritos Community College District as of June 30, 2006. These statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Revenue Bond Construction Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Revenue Bond Construction Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Revenue Bond Construction Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2006 on our consideration of the Cerritos Community College District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
INDEPENDENT AUDITOR'S REPORT

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Revenue Bond Construction Fund of the Cerritos Community College District as of June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 22, 2006
CERRITOS COMMUNITY COLLEGE DISTRICT
BALANCE SHEET
REVENUE BOND CONSTRUCTION FUND
June 30, 2006

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in County Treasury</td>
<td>$13,465,514</td>
</tr>
<tr>
<td>Accounts Receivable:</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$228,450</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>$55,187</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$13,749,151</strong></td>
</tr>
</tbody>
</table>

**LIABILITIES AND FUND BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$335,661</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>335,661</strong></td>
</tr>
</tbody>
</table>

**FUND BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated for Capital Outlay</td>
<td>$13,413,490</td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCE</strong></td>
<td><strong>13,413,490</strong></td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND FUND BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$13,749,151</td>
</tr>
</tbody>
</table>

See the accompanying notes to the financial statements.
CERRITOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
REVENUE BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2006

REVENUES

<table>
<thead>
<tr>
<th>Revenue from Local Sources</th>
<th>$ 700,942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Investment Income</td>
<td>$ 700,942</td>
</tr>
<tr>
<td>Total Revenue from Local Sources</td>
<td>$ 700,942</td>
</tr>
</tbody>
</table>

TOTAL REVENUES

| $ 700,942 |

EXPENDITURES

| Supplies and Materials | 136,710 |
| Other Expenses and Services | 1,663,610 |
| Capital Outlay | 5,707,937 |
| **TOTAL EXPENDITURES** | **7,508,257** |

Deficiency of revenues over expenditures

| (6,807,315) |

FUND BALANCE, BEGINNING OF YEAR

| 20,220,805 |

FUND BALANCE, END OF YEAR

| $ 13,413,490 |

See the accompanying notes to the financial statements.
### CERRITOS COMMUNITY COLLEGE DISTRICT

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

**BUDGET AND ACTUAL - REVENUE BOND CONSTRUCTION FUND**

For the Fiscal Year Ended June 30, 2006

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from Local Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Investment Income</td>
<td>$</td>
<td>$ 700,942</td>
<td>$ 700,942</td>
</tr>
<tr>
<td>Total Revenue from Local Sources</td>
<td>-</td>
<td>700,942</td>
<td>700,942</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>-</td>
<td>700,942</td>
<td>700,942</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies and Materials</td>
<td>136,710</td>
<td>136,710</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses and Services</td>
<td>2,625,776</td>
<td>1,663,610</td>
<td>962,166</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>5,936,183</td>
<td>5,707,937</td>
<td>228,246</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>8,698,669</td>
<td>7,508,257</td>
<td>1,190,412</td>
</tr>
</tbody>
</table>

| Excess (deficiency) of revenues over expenditures | (8,698,669) | (6,807,315) | $ 1,891,354 |

| FUND BALANCE, BEGINNING OF YEAR |          | 20,220,805 |
| FUND BALANCE, END OF YEAR       |          | $ 13,413,490 |
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 Revenue Bond Construction Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does 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 Revenue Bond Construction Fund of the Cerritos 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 titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Revenue Bond Construction Fund are determined by its measurement focus. The Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Revenue Bond Construction Fund are accounted for in the basic financial statements of the Cerritos Community College District.

NOTE 2 – DEPOSITS AND INVESTMENTS:

Cash in County

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash 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 Revenue Bond Construction Fund’s deposits in this pool as of June 30, 2006, as provided by the pool sponsor, was $13,434,274. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – PURCHASE COMMITMENTS:

As of June 30, 2006, the District was committed under various capital expenditure purchase agreements for various projects totaling approximately $1,483,300 to be funded from bond proceeds.

NOTE 4 – BONDED DEBT:

On March 2, 2004 at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of $210,000,000. Proceeds from the sale of the bonds are to be used to finance the acquisition, construction and modernization of certain District property and facilities, and to prepay certain of the District’s outstanding Certificates of Participation, Series 2002. On July 1, 2004 the District issued $37,325,000 of the bonds (2004 Election, Series A).
NOTE 4 – BONDED DEBT: (continued)

Interest rates range from 5.45% to 5.75% payable semiannually on February 1 and August 1.

On May 19, 2005, the District issued 2005 General Obligation Refunding Bonds Series A of $24,025,000 of current interest bonds and $3,110,993 of capital appreciation bonds. Interest rates range from 3.0% to 5.0% payable semiannually on February 1 and August 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2010 through August 1, 2015. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The accreted interest accrued and included in long term debt at June 30, 2006 in the basic financial statements of the District is $235,048.

The proceeds from the sale of the 2005 A general obligation refunding bonds were used to pay off portions of the 2004 Election, Series A general obligation bonds. The proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the District's financial statements. The difference in cash flow requirements related to this refunding is a savings of cash outflow approximating $457,000. The present value of the economic gain to the District amounts to approximately $317,000. The amount of debt that remains outstanding at June 30, 2006 for the original Series A issuance is $10,035,000. The amount of refunding debt outstanding at June 30, 2006 for Series A is $24,550,000.

<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Interest Rate %</th>
<th>Final Maturity Date</th>
<th>Amount of Original Issue</th>
<th>Outstanding July 1, 2005</th>
<th>Issued Current Year</th>
<th>Redeemed Current Year</th>
<th>Outstanding June 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004A</td>
<td>5.45-5.75%</td>
<td>2029</td>
<td>$37,325,000</td>
<td>$12,775,000</td>
<td>$</td>
<td>$2,740,000</td>
<td>$10,035,000</td>
</tr>
<tr>
<td>2005A</td>
<td>3.0-5.0%</td>
<td>2024</td>
<td>24,025,000</td>
<td>27,135,993</td>
<td>235,048</td>
<td>465,000</td>
<td>26,670,993</td>
</tr>
<tr>
<td>Accreted Interest Component</td>
<td></td>
<td></td>
<td></td>
<td>$39,910,993</td>
<td>$235,048</td>
<td>$3,205,000</td>
<td>$36,941,041</td>
</tr>
</tbody>
</table>
NOTE 4 – BONDED DEBT: (continued)

The debt service requirements for the remaining portion of the 2004 General Obligation Bonds outstanding as of June 30, 2006 is as follows:

**2004 Series A**

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest Component</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$3,435,000</td>
<td>$380,138</td>
<td>$3,815,138</td>
</tr>
<tr>
<td>2008</td>
<td>1,145,000</td>
<td>288,538</td>
<td>1,433,538</td>
</tr>
<tr>
<td>2009</td>
<td>1,320,000</td>
<td>232,638</td>
<td>1,552,638</td>
</tr>
<tr>
<td>2010</td>
<td>540,000</td>
<td>186,138</td>
<td>726,138</td>
</tr>
<tr>
<td>2011</td>
<td>665,000</td>
<td>157,675</td>
<td>822,675</td>
</tr>
<tr>
<td>2012-2016</td>
<td>1,130,000</td>
<td>548,555</td>
<td>1,678,555</td>
</tr>
<tr>
<td>2017-2021</td>
<td>400,000</td>
<td>404,475</td>
<td>804,475</td>
</tr>
<tr>
<td>2022-2026</td>
<td>735,000</td>
<td>266,375</td>
<td>1,001,375</td>
</tr>
<tr>
<td>2027-2029</td>
<td>665,000</td>
<td>52,124</td>
<td>717,124</td>
</tr>
<tr>
<td>Total</td>
<td>$10,035,000</td>
<td>$2,516,656</td>
<td>$12,551,656</td>
</tr>
</tbody>
</table>
CERRITOS COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 – BONDED DEBT: (continued)

The debt service requirements for the 2005 Refunding Bonds outstanding as of June 30, 2006 is as follows:

2005 Refunding Series A

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Current Interest Component</th>
<th>Accreted Interest Component</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$ 1,925,000</td>
<td>$ 1,076,700</td>
<td>$</td>
<td>$ 3,001,700</td>
</tr>
<tr>
<td>2008</td>
<td>480,000</td>
<td>1,040,625</td>
<td></td>
<td>1,520,625</td>
</tr>
<tr>
<td>2009</td>
<td>535,000</td>
<td>1,024,731</td>
<td></td>
<td>1,559,731</td>
</tr>
<tr>
<td>2010</td>
<td>855,000</td>
<td>1,002,144</td>
<td></td>
<td>1,857,144</td>
</tr>
<tr>
<td>2011</td>
<td>517,291</td>
<td>988,250</td>
<td>422,709</td>
<td>1,928,250</td>
</tr>
<tr>
<td>2012-2016</td>
<td>2,593,702</td>
<td>4,941,250</td>
<td>4,136,297</td>
<td>11,671,249</td>
</tr>
<tr>
<td>2017-2021</td>
<td>10,535,000</td>
<td>3,731,375</td>
<td>14,266,375</td>
<td></td>
</tr>
<tr>
<td>2022-2024</td>
<td>9,230,000</td>
<td>720,250</td>
<td></td>
<td>9,950,250</td>
</tr>
</tbody>
</table>

$ 26,670,993 $ 14,525,325 $ 4,559,006 $ 45,755,324

The repayment of the debt related to the Measure CC General Obligation Bonds is accounted for in the District’s Bond Interest and Redemption Fund which is part of the District’s basic financial statements.

NOTE 5 – SUBSEQUENT EVENT:

General Obligation Bonds

On September 6, 2006, the District issued $34,845,000 of general obligation bonds, Series 2006B. Proceeds from the sale of bonds will be used to finance the acquisition, construction and modernization of certain District facilities. Interest rates range from 4.5% to 4.75% payable semi-annually on February 1 and August 1.
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
Cerritos Community College District
11110 E. Alondra Boulevard
Norwalk, California 90650

We have audited the financial statements of Cerritos Community College District (the District) as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cerritos Community College District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cerritos Community College District’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the District’s audit report.
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cerritos Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board, the Citizens’ Oversight Committee, management, the State Department of Finance, and the State Chancellor’s Office and is not intended to be and should not be used by anyone other than these specified parties.

VICENTI, LLOYD & STUTZMAN LLP

September 22, 2006
There were no findings and questioned costs related to the financial audit of the Revenue Bond Construction Fund for the fiscal year ended June 30, 2006.