CERRITOS COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE CC
FINANCIAL AUDIT

Fiscal Year Ended June 30, 2005
CERRITOS COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE CC
FINANCIAL AUDIT

June 30, 2005

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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, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Cerritos Community College District as of and for the fiscal year ended June 30, 2005 and have issued our report thereon dated September 29, 2005. 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 Revenue Bond Construction Fund – Measure CC Bond Program of the Cerritos Community College District as of June 30, 2005. 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 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, 2005, in conformity with accounting principles generally accepted in the United States of America.

September 1, 2005
CERRITOS COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
REVENUE BOND CONSTRUCTION FUND
June 30, 2005

ASSETS
Cash in County Treasury $19,930,178
Accounts Receivable:
   Miscellaneous 140,250
   Prepaid Expenses 386,309

TOTAL ASSETS $20,456,737

LIABILITIES AND FUND EQUITY
Liabilities
Accounts Payable $235,932

TOTAL LIABILITIES 235,932

FUND BALANCE

Designated 20,220,805

TOTAL FUND EQUITY 20,220,805

TOTAL LIABILITIES AND FUND EQUITY $20,456,737

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, 2005

REVENUES
Revenue from Local Sources
   Interest and Investment Income $ 418,642
Total Revenue from Local Sources 418,642

TOTAL REVENUES 418,642

EXPENDITURES
Supplies and Materials 25,260
Other Expenses and Services 2,683,626
Capital Outlay 784,359
TOTAL EXPENDITURES 3,493,245

Deficiency of revenues over expenditures (3,074,603)

OTHER FINANCING SOURCES (USES)
Proceeds from Sale of Bonds - Deposit to Escrow 41,361,000
Other Financing Uses (16,187,640)

TOTAL OTHER FINANCING SOURCES (USES) 25,173,360

Excess of revenues over expenditures and other financing sources (uses) 22,098,757

FUND BALANCE, BEGINNING OF YEAR 1,877,952

FUND BALANCE, END OF YEAR $ 20,220,805

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, 2005

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Budget</th>
<th>Actual</th>
<th>Favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Local Sources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Investment Income</td>
<td>$</td>
<td>$418,642</td>
<td>$418,642</td>
</tr>
<tr>
<td>Total Revenue from Local Sources</td>
<td>-</td>
<td>418,642</td>
<td>418,642</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>-</td>
<td>418,642</td>
<td>418,642</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>Budget</th>
<th>Actual</th>
<th>Favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies and Materials</td>
<td>9,115</td>
<td>25,260</td>
<td>(16,145)</td>
</tr>
<tr>
<td>Other Expenses and Services</td>
<td>4,590,750</td>
<td>2,683,626</td>
<td>1,907,124</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>3,992,040</td>
<td>784,359</td>
<td>3,207,681</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>8,591,905</td>
<td>3,493,245</td>
<td>5,098,660</td>
</tr>
</tbody>
</table>

Excess (deficiency) of revenues over expenditures | (8,591,905) | (3,074,603) | 5,517,302 |

OTHER FINANCING SOURCES (USES)

| Proceeds from Sale of Bonds - Deposit to Escrow | 37,325,000 | 41,361,000 | 4,036,000 |
| Other Financing Uses | (16,187,640) | (16,187,640) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 21,137,360 | 25,173,360 | 4,036,000 |

Excess (deficiency) of revenues over expenditures and other financing sources (uses) | $12,545,455 | 22,098,757 | $9,553,302 |

FUND BALANCE, BEGINNING OF YEAR | 1,877,952 |

FUND BALANCE, END OF YEAR | $20,220,805 |

See the accompanying notes to the financial statements.
CERRITOS COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 – PURCHASE COMMITMENTS:

As of June 30, 2005, the District was committed under various capital expenditure purchase agreements for various projects totaling approximately $15,600,000 to be funded from bond proceeds.

NOTE 3 – 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 were 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). 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. There is no accreted interest accrued and included in long term debt at June 30, 2005.
NOTE 3 – BONDED DEBT: (continued)

The proceeds were issued 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 net carrying value of the bonds refunded was $2,353,520 less than the amount paid into the escrow account. This amount has been netted against the new debt and amortized over the life of the new debt which is shorter than the life of the old debt. The amount of debt that remains outstanding at June 30, 2005 for the original Series A issuance is $12,775,000. The amount of refunding debt outstanding at June 30, 2005 for Series A is $27,135,993.

The debt service requirements for the remaining portion of the 2004 General Obligation Bonds outstanding as of June 30, 2005 is as follows:

**2004 Series A**

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Current Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Component</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$ 2,740,000</td>
<td>$ 503,638</td>
<td>$ 3,243,638</td>
</tr>
<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>2011-2015</td>
<td>1,745,000</td>
<td>615,549</td>
<td>2,360,549</td>
</tr>
<tr>
<td>2016-2020</td>
<td>350,000</td>
<td>422,656</td>
<td>772,656</td>
</tr>
<tr>
<td>2021-2025</td>
<td>655,000</td>
<td>301,125</td>
<td>956,125</td>
</tr>
<tr>
<td>2026-2029</td>
<td>845,000</td>
<td>89,874</td>
<td>934,874</td>
</tr>
<tr>
<td>Total</td>
<td>$12,775,000</td>
<td>$ 3,020,294</td>
<td>$15,795,294</td>
</tr>
</tbody>
</table>
NOTE 3 – BONDED DEBT: (continued)

The debt service requirements for the 2005 Refunding Bonds outstanding as of June 30, 2005 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>2006</td>
<td>$ 465,000</td>
<td>$ 692,728</td>
<td>$</td>
<td>$ 1,157,728</td>
</tr>
<tr>
<td>2007</td>
<td>1,925,000</td>
<td>1,076,700</td>
<td>3,001,700</td>
<td>3,001,700</td>
</tr>
<tr>
<td>2008</td>
<td>480,000</td>
<td>1,040,625</td>
<td>1,520,625</td>
<td>1,520,625</td>
</tr>
<tr>
<td>2009</td>
<td>535,000</td>
<td>1,024,731</td>
<td>1,559,731</td>
<td>1,559,731</td>
</tr>
<tr>
<td>2010</td>
<td>855,000</td>
<td>1,002,144</td>
<td>1,857,144</td>
<td>1,857,144</td>
</tr>
<tr>
<td>2011-2015</td>
<td>2,622,402</td>
<td>4,941,250</td>
<td>3,457,597</td>
<td>11,021,249</td>
</tr>
<tr>
<td>2016-2020</td>
<td>8,473,591</td>
<td>4,194,375</td>
<td>1,101,409</td>
<td>13,769,375</td>
</tr>
<tr>
<td>2021-2024</td>
<td>11,780,000</td>
<td>1,245,500</td>
<td></td>
<td>13,025,500</td>
</tr>
</tbody>
</table>

Total debt service 27,135,993 $15,218,053 $ 4,559,006 $46,913,052

Unamortized bond premium* 4,066,118

Deferred charge for issuance costs** (462,776)

Deferred charge on refunding** (2,229,651)

Total $28,509,684

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds issued on May 19, 2005 included a premium of $4,292,013. These amounts were amortized using the straight-line method. Amortization of $225,895 was recognized during the 2004-05 year.

** Associated issuance costs and the difference between the reacquisition cost of the new debt and the carrying value of the old debt are recorded as deferred charges on the statement of net assets and are amortized to interest expense over the life of the liability.
NOTE 3 – BONDED DEBT: (continued)

Issuance costs of $488,486 and a deferred charge on refunding of $2,353,520 were amortized using the straight-line method. Amortization of $149,579 was recognized during the 2004-05 year.

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 Cerritos Community College District’s basic financial statements.

NOTE 4 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object accounts, occurred in the Revenue Bond Construction fund as follows:

Supplies and materials $ 16,145

The Governing Board approved appropriation transfers as part of the year-end closing process; however, the County did not post the actual transfers.
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
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 year ended June 30, 2005, and have issued our report thereon dated September 29, 2005. 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.
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

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 described above 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, management, the State Department of Finance, the State Chancellor’s Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VICENTI, LLOYD & STUTZMAN LLP

September 29, 2005
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, 2005.