

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE**

**June 30, 2011**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
June 30, 2011**

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**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds, and the aggregate remaining fund information of the Long Beach Unified School District as of and for the year ended June 30, 2011 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of the Long Beach Unified School District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Long Beach Unified School District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011 on our consideration of the Long Beach Unified School District's internal control over 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 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.



Board of Education  
Long Beach Unified School District

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information and schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach Unified School District financial statements as a whole. The supplementary schedules, combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Long Beach Unified School District. The supplementary section and combining and individual non-major fund financial statements, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 17, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

This section of Long Beach Unified School District's annual financial report presents a **discussion and analysis** of the District's financial performance during the fiscal year ended June 30, 2011. Please read this special report in conjunction with the financial statements following this section.

**ABOUT LONG BEACH UNIFIED SCHOOL DISTRICT**

The Long Beach Unified School District has earned a reputation as one of America's finest school systems, winning many awards as a national model of excellence. The school district was named a national winner of the Broad Prize for Urban Education, recognizing America's best urban school system for increasing student achievement. LBUSD also has been a five-time finalist for the prize.

Established in 1885 with fewer than a dozen students meeting in a borrowed tent, LBUSD now educates 85,000 students in eighty-four (84) K-12 schools, including a continuation school and five (5) charter schools in the cities of Long Beach, Signal Hill, Santa Catalina Island, the major portion of Lakewood and unincorporated Los Angeles County Territory. One of the largest school districts in California, it serves the most diverse large city in the United States, with dozens of different languages spoken by local students. The District employs more than 7,600 people, making it the second largest employer in Long Beach.

**Financial Highlights**

1. Overall revenues and other financing sources totaled \$823.9 million or \$18 million more than expenditures.
2. Overall the District's net assets increased by \$18 million or 4.13% over the course of the year.
3. Long-term outstanding debt has increased by \$62.5 million. The debt increased as a result of issuance of new general obligation bonds for the Measure K program, as well as an increase in the net other post employment benefit obligation.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Overview of the Financial Statements**

This financial report is presented in four parts: Management's Discussion and Analysis (this section), the basic financial statements, the required supplementary information and the supplementary information. The financial statements included herein present these different views of District finances:

- The Government-wide Statement of Net Assets and Statement of Activities provide both long-term and short-term information about the District's overall financial statements. These statements are provided at summary level within the Management's Discussion and Analysis for further review.
- The subsequent statements are fund financial statements that focus on individual components of the District, reporting in more detail on District-wide operations.
- Proprietary funds statements offer short and long-term financial information about the activities that operate like a private enterprise, such as the Self-Insurance Fund.
- The fiduciary fund statement provides information about Associated Student Body Funds for which the District acts solely as a trustee.

The financial statements also include notes that provide explanations or more detailed information. The financial statements comparing the District's General Fund budgeted to actual amounts for the year are supplemented by a narrative on significant variances starting on page vi (see pages 53-54).

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**District-Wide Statements**

Two District-wide statements report financial information using accounting methods similar to those used by private-sector companies. The statement of net assets summarizes the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when the cash is received or expenses paid.

The following District-wide statements report on the District's net assets and how they have changed during the 2010-11 fiscal year. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health.

- Over time, increases or decreases in net assets are an indicator of whether the District's financial position is improving or deteriorating.
- To assess the District's overall fiscal health, additional non-financial factors such as changes in the District's property tax base, fixed assets, and the physical condition of school buildings and other facilities are taken into consideration.

**Summary of Statement of Net Assets**

	As of <u>6/30/2010</u>	As of <u>6/30/2011</u>	<u>Variance</u>
Non-Capital Assets	\$ 523,767,075	\$ 608,824,263	16.24%
Capital Assets	<u>583,442,844</u>	<u>607,947,249</u>	4.20%
Total Assets	<u>1,107,209,919</u>	<u>1,216,771,512</u>	9.90%
Current Liabilities	135,652,618	160,560,977	18.36%
Long-term Liabilities	<u>535,265,179</u>	<u>601,894,831</u>	12.45%
Total Liabilities	<u>670,917,797</u>	<u>762,455,808</u>	13.64%
Invested In Capital Assets, Net of Related Debt	269,751,601	268,744,924	-0.37%
Net Assets Legally Restricted	100,462,634	78,753,721	-21.61%
Net Assets Unrestricted	<u>66,077,887</u>	<u>106,817,059</u>	61.65%
Total Net Assets	<u>\$ 436,292,122</u>	<u>\$ 454,315,704</u>	4.13%

Certain reclassifications have been made to the June 30, 2010 net asset balances to reflect implementation of GASB Statement No. 54.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

The District's combined net assets increased to \$454.3 million or 4.13% during fiscal year 2010-11. The overall increase in total assets and liabilities is partially due to the issuance of approximately \$75 million in general obligation bonds for Measure K in fiscal year 2010-2011.

**Summary of Statement of Activities**

	<u>2009-10</u>	<u>2010-11</u>	<u>Variance</u>
Program Revenues:			
Charges for Services	\$ 7,581,866	\$ 8,502,371	12.14%
Operating Grants and Contributions	262,182,862	243,403,215	-7.16%
Capital Grants and Contributions	10,646,887	380,021	-96.43%
General Revenues:			
Property Taxes	118,199,886	116,244,757	-1.65%
Federal and State Aid Unrestricted	424,588,590	440,407,503	3.73%
Interest, Investment and Miscellaneous	<u>15,546,257</u>	<u>15,035,615</u>	-3.28%
Total Revenues	<u>838,746,348</u>	<u>823,973,482</u>	-1.76%
Instruction and Related Services	595,289,286	567,425,281	-4.68%
Pupil Services	91,072,658	84,478,433	-7.24%
General Administration	34,262,500	29,334,744	-14.38%
Ancillary, Community, and			
Enterprise Activities	8,205,119	7,748,109	-5.57%
Plant Services	85,793,684	91,298,508	6.42%
Debt Service	27,523,719	25,484,903	-7.41%
Other Outgo	<u>(364,138)</u>	<u>179,922</u>	-149.41%
Total Expenses	<u>841,782,828</u>	<u>805,949,900</u>	-4.26%
Change in Net Assets	(3,036,480)	18,023,582	
Net Assets, Beginning	<u>439,328,602</u>	<u>436,292,122</u>	
Net Assets, Ending	<u>\$ 436,292,122</u>	<u>\$ 454,315,704</u>	4.13%

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

Total revenues decreased by \$14.7 million between fiscal years. The decrease was the result of decreased Operating Grants and Contributions, offset by an increase to Federal and State Aid Unrestricted. Capital Grants and Contributions decreased this year due to the fact that in 2009-10 there was a substantial State Apportionment for the Nelson Middle School Construction Project, there were no large projects for which the District received money for this year.

Expenses also decreased in 2010-11 by \$35.8 million or 4.25%. This was largely due to the budget reduction measures that the District implemented, including furlough days, larger class sizes and reduction in support services.

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**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's operations, focusing on its most significant or "major" funds and not the District as a whole. Funds are accounting entities used by the District to track specific sources of funding and their related programmatic spending.

- Most fund designations are defined in state law and regulations
- The District establishes other funds to control and manage resources committed to particular purposes or to show that resources are properly used for certain categories of revenues.

The District operates three types of funds:

- **Governmental funds** (see pages 3 and 5). Most of the District's basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other assets can readily be converted to cash flow and (2) the amount of funds remaining at year-end for subsequent year spending. Therefore, the governmental fund statements provide a detailed, short-term view to assist the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and activities.
- **Internal service funds** (see pages 7, 8 and 9). The District uses internal service funds to report proprietary activities that provide services to its other program activities. The District currently has one internal service fund – the Self-Insurance Fund.
- **Fiduciary funds** (see pages 10 and 11). The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds at schools. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets are entrusted. The District excludes these activities from the District-wide financial statements because it is prohibited from using these assets to finance its operations.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Financial Analysis of the District's Funds**

As the District completed the year, its governmental funds reported combined fund balances of \$456.6 million, compared to last year's combined ending balances of \$404.6 million. The Building Fund ending balance increased to \$266.9 million between years as a result of the issuance of additional Measure K bond funds.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. The following were the major changes between the original and final budget:

- Revenues for grants and entitlements from federal, state and local resources are budgeted as sources are identified throughout the year. These additional revenues represented a 34% increase in combined revenue categories.
- Expenditures are appropriated throughout the year that were not included in the adopted budget. These increases come primarily from the appropriation of newly identified revenues or the addition of carryover funds.

Even with these adjustments to revenues and expenses throughout the fiscal year actual revenue and expenditures reflected lower amounts. The variances resulted from:

- Actual revenues available were \$42.5 million below final budgeted amounts. Approximately \$31 million represents grant monies that have been received but not spent by June 30, 2011 and the remainder is the result of grant awards budgeted with no costs yet incurred.
- Expenditure categories generally reflected lower amounts than the final budgeted amount. The balances that were generated by restricted grants and entitlements will become carryover funds for 2011-2012.
- The expenditure category of Books and Supplies include amounts that are being held in reserve.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Summary of General Fund Budgetary Highlights**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Revised Final Budget - Positive (Negative)</u>	
	<u>Original</u>	<u>Revised Final</u>			
<b>Revenues:</b>					
Revenue Limit Sources	\$ 406,723,970	\$ 430,354,068	\$ 430,079,318	\$ (274,750)	0%
Federal Sources	70,911,994	140,737,282	99,876,960	(40,860,322)	-29%
Other State Sources	158,450,048	157,800,579	160,528,568	2,727,989	2%
Other Local Sources	<u>9,334,779</u>	<u>20,931,720</u>	<u>16,805,772</u>	<u>(4,125,948)</u>	-20%
<b>Total Revenues</b>	<u>645,420,791</u>	<u>749,823,649</u>	<u>707,290,618</u>	<u>(42,533,031)</u>	
<b>Expenditures:</b>					
Certificated Salaries	328,613,412	379,226,308	347,284,923	31,941,385	8%
Classified Salaries	102,920,303	107,901,177	101,370,718	6,530,459	6%
Employee Benefits	151,078,366	166,435,446	157,625,864	8,809,582	5%
Books & Supplies	15,452,956	47,563,609	15,668,355	31,895,254	67%
Services, Other Operating Expenses	64,726,290	84,085,918	70,996,430	13,089,488	16%
Capital Outlay	1,355,291	2,782,771	1,827,124	955,647	34%
Other Outgo	157,733	170,944	177,922	(6,978)	-4%
Direct Support/Indirect Costs:	<u>(1,534,494)</u>	<u>(1,589,328)</u>	<u>(1,563,311)</u>	<u>(26,017)</u>	2%
<b>Total Expenditures</b>	<u>662,769,857</u>	<u>786,576,845</u>	<u>693,388,025</u>	<u>93,188,820</u>	12%
<b>Excess of Revenues over Expenditures</b>	<u>(17,349,066)</u>	<u>(36,753,196)</u>	<u>13,902,593</u>	<u>50,655,789</u>	-138%
<b>Other financing sources (uses):</b>					
Transfer out	<u>(8,180,714)</u>	<u>(3,940,833)</u>	<u>(3,940,833)</u>	-	0%
<b>Net change in fund balances</b>	<u>\$ (25,529,780)</u>	<u>\$ (40,694,029)</u>	<u>9,961,760</u>	<u>\$ 50,655,789</u>	
<b>Fund balances - July 1, 2010, as originally stated</b>			99,971,376		
Adjustment for restatement (see note 14)			<u>249,294</u>		
<b>Fund balances - July 1, 2010, as restated</b>			<u>100,220,670</u>		
<b>Fund balances - June 30, 2011</b>			<u>\$ 110,182,430</u>		

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Capital Assets and Long-Term Debt** (See page 39 and 40)

**Capital Assets**

By the end of fiscal year 2010-11, the District had invested \$993.4 million in a broad range of capital assets, including land, land improvements, buildings, vehicles, machinery and equipment. This amount represents an increase of \$38 million, or 3.9% from last year. Much of this increase is due to the construction of Nelson Middle School which has a scheduled opening date of September 2012.

**Long-Term Debt**

At year-end, the District had \$631.5 million in long-term debt. General Obligation Bonds accounted for \$593.5 million, including related premium and accreted interest. The remaining \$38 million represents the value of accumulated employee vacation time, the net OPEB obligation and capital leases.

**Economic Factors That May Affect the Future**

The state's budget situation continues to reflect challenging economic conditions. The 2011 State Budget contained "flat funding" for education, but holds the potential for midyear cuts. The state's economy currently shows a slower-than-predicted recovery. The potential trigger reductions mean uncertainty for district child care programs and K-12 education programs. Revenue limit deficit factors are projected at the highest level ever, offsetting the statutory COLA and keeping the funded base revenue limit equal to the 2010-11 level.

The Federal government's one-time funding boosts have ended, and some categorical programs have seen reductions. Most state categorical program flexibility has been extended through 2014-15. The relaxed penalties for the K-3 class size reduction program have been extended through 2013-14. In addition, the authority to shorten the instructional year to 175 days has been extended through 2014-15. Relaxed reserve requirements will end in 2012-13. The District has prudently decided not to take advantage of the relaxed reserve requirements.

**Contacting the District's Financial Management**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Financial and Business Officer, 1515 Hughes Way, Long Beach, CA 90810.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**FUNDS AND DEFINITIONS OF ACCOUNTING TERMS**

The General Fund is always reported as a major fund. Other governmental and enterprise funds are to be reported as **major funds** based on the following criteria:

- Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund (excluding extraordinary items) are at least 10% of the corresponding total for all funds of the same category (i.e. governmental or enterprise funds), and,
- Total assets, liabilities, revenues or expenditures of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Any other governmental or enterprise fund may be reported as a major fund if the governmental entity believes that it is particularly important to the readers of their financial statements.

**General Fund:** The fund used to finance the basic operations of a school district and to serve students in grades kindergarten through twelve. These resources are available for any legally authorized purpose of the District.

**Building Fund:** Established to hold funds generated for capital outlay projects. These resources may come from the sale of District facilities and property, from the sale of District bonds, from the sale of bonds by the state government or from the transfer of funds from the General Fund.

**FINANCIAL SECTION**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2011**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 449,190,112
Cash on hand and in banks	2,899,527
Cash in revolving fund	1,230,260
Cash collections awaiting deposit	436,202
Accounts receivable:	
Federal and state governments	139,668,516
Local governments	4,497,023
Miscellaneous	5,060,737
Inventories	2,293,120
Prepaid expenditures	249,560
Capitalized fees	3,299,206
Land	113,922,550
Work in progress	53,352,694
Depreciable assets, net	<u>440,672,005</u>
<b>Total Assets</b>	<b><u>1,216,771,512</u></b>
 <b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	44,078,345
Deferred revenue	31,306,955
Estimated liability for open claims and IBNR's	45,581,798
Current portion of long-term liabilities:	
General obligation bonds	20,590,000
General obligation bonds-accrued interest	9,942,274
Capital leases	1,021,978
Compensated absences	8,039,627
Non-current portion of long-term liabilities:	
General obligation bonds	572,886,972
Capital leases	1,646,651
Compensated absences	2,115,360
Other postemployment benefits	<u>25,245,848</u>
<b>Total Liabilities</b>	<b><u>762,455,808</u></b>
 <b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	268,744,923
Restricted for:	
Debt service	39,202,861
Educational programs	12,878,723
Capital projects	26,300,610
Other programs	371,527
Unrestricted	<u>106,817,060</u>
<b>Total Net Assets</b>	<b><u>\$ 454,315,704</u></b>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 490,431,056	\$ 543,879	\$ 123,517,076	\$	\$ (366,370,101)
Instruction - related services	76,994,225	106,651	38,450,149		(38,437,425)
Pupil services	84,478,433	5,020,010	57,446,891		(22,011,532)
Ancillary services	869,149	455	1,569		(867,125)
Community services	6,853,031	1,100	394,989		(6,456,942)
Enterprise activities	25,929				(25,929)
General administration	29,334,744	60,629	7,583,963		(21,690,152)
Plant services	91,298,508	2,598,288	15,214,242	380,021	(73,105,957)
Other outgoing	179,922	171,359	794,336		785,773
Debt service - interest	25,484,903				(25,484,903)
<b>Total School District</b>	<b>\$ 805,949,900</b>	<b>\$ 8,502,371</b>	<b>\$ 243,403,215</b>	<b>\$ 380,021</b>	<b>(553,664,293)</b>
<b>General Revenues</b>					
Property taxes levied for					
General purposes					
Debt service					
Federal and state aid not restricted to specific purposes					
Interest and investment earnings					
Miscellaneous					
Special item - gain on retirement of equipment					
<b>Total General Revenues and Special Items</b>					
Change in net assets					
<b>Net Assets - Beginning of Year</b>					
<b>Net Assets - End of Year</b>					

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash in county treasury	\$ 40,421,331	\$ 275,079,639	72,499,312	\$ 388,000,282
Cash on hand and in banks			2,899,527	2,899,527
Cash in revolving fund	398,850		1,410	400,260
Cash collections awaiting deposit			436,202	436,202
Accounts receivable:				
Federal and state governments	131,675,830		7,992,686	139,668,516
Local governments	475,221		44,756	519,977
Miscellaneous	3,644,063	768,399	202,559	4,615,021
Due from other funds	6,294,111		3,819,023	10,113,134
Inventories	983,645		1,309,475	2,293,120
Prepaid expenditures	205,096			205,096
<b>Total Assets</b>	<b>\$ 184,098,147</b>	<b>\$ 275,848,038</b>	<b>\$ 89,204,950</b>	<b>\$ 549,151,135</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 31,801,205	\$ 5,853,817	\$ 2,796,732	\$ 40,451,754
Due to other funds	10,913,705	3,108,672	6,749,912	20,772,289
Deferred revenue	31,200,807		106,148	31,306,955
<b>Total Liabilities</b>	<b>73,915,717</b>	<b>8,962,489</b>	<b>9,652,792</b>	<b>92,530,998</b>
<b>Fund Balances</b>				
Nonspendable	1,587,591		1,310,885	2,898,476
Restricted	12,757,589	266,885,549	65,996,132	345,639,270
Committed			7,281,278	7,281,278
Assigned	81,890,673		4,963,863	86,854,536
Unassigned	13,946,577			13,946,577
<b>Total Fund Balances</b>	<b>110,182,430</b>	<b>266,885,549</b>	<b>79,552,158</b>	<b>456,620,137</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 184,098,147</b>	<b>\$ 275,848,038</b>	<b>\$ 89,204,950</b>	<b>\$ 549,151,135</b>

See the accompanying notes to the financial statements.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

Amounts reported for governmental funds are different than the statement of net assets because:

Total fund balance - governmental funds	\$ 456,620,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$993,407,195 and the accumulated depreciation is \$385,459,946. The net value of capital assets is -	607,947,249
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the funds.	3,977,046
The accrued interest for general obligation bonds is -	(9,942,274)
An Internal service fund is used by the district to manage its Self-Insurance Fund. The assets and liabilities of the Self-Insurance Fund are included under governmental activities in the statement of net assets.	23,960,776
General Obligation bond costs to be amortized over the life of the bond	3,299,206
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds Principal Payable	(566,082,292)
Unmatured Premium General Obligation Bonds	(28,141,632)
Unamortized deferred liability from refunding general obligation bonds	2,947,437
Accreted Interest on Capital Appreciation Bonds	(2,200,485)
Capital leases	(2,668,629)
Compensated Absences Payable	(10,154,987)
Net Other Postemployment Benefits Obligation	<u>(25,245,848)</u>
	<u>(631,546,436)</u>
Total net assets - governmental activities	<u>\$ 454,315,704</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2011

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Revenue limit sources:				
State apportionments	\$ 353,536,936	\$	\$	\$ 353,536,936
Charter schools general purpose entitlement	2,627,210			2,627,210
Local sources	<u>73,915,172</u>			<u>73,915,172</u>
Total revenue limit sources	430,079,318		-	430,079,318
Federal sources	99,876,960		49,638,734	149,515,694
Other state sources	160,528,568		9,766,821	170,295,389
Other local sources	<u>16,805,772</u>	<u>3,360,676</u>	<u>51,535,071</u>	<u>71,701,519</u>
<b>Total Revenues</b>	<u>707,290,618</u>	<u>3,360,676</u>	<u>110,940,626</u>	<u>821,591,920</u>
<b>Expenditures</b>				
Instruction	450,526,074		21,605,158	472,131,232
Instruction - related services	77,933,908		5,551,618	83,485,526
Pupil services	55,245,460		32,790,896	88,036,356
Ancillary services	863,704			863,704
Community services	6,755,720			6,755,720
Enterprise activities	14,403			14,403
General administration	26,607,627		1,563,311	28,170,938
Plant services	75,263,207	36,139,939	9,044,133	120,447,279
Other outgo	177,922	2,000		179,922
Debt service			<u>50,312,054</u>	<u>50,312,054</u>
<b>Total Expenditures</b>	<u>693,388,025</u>	<u>36,141,939</u>	<u>120,867,170</u>	<u>850,397,134</u>
Excess (Deficiency) of revenues over expenditures	<u>13,902,593</u>	<u>(32,781,263)</u>	<u>(9,926,544)</u>	<u>(28,805,214)</u>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in			7,040,833	7,040,833
Proceeds from sale of general obligation bonds		74,947,219	17,942,477	92,889,696
Payment to refunding bond escrow agent			(12,102,511)	(12,102,511)
Interfund transfers out	<u>(3,940,833)</u>	<u>(3,100,000)</u>		<u>(7,040,833)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(3,940,833)</u>	<u>71,847,219</u>	<u>12,880,799</u>	<u>80,787,185</u>
Net changes in fund balances	<u>9,961,760</u>	<u>39,065,956</u>	<u>2,954,255</u>	<u>51,981,971</u>
<b>Fund Balances - Beginning of Year, As Originally Stated</b>	99,971,376	227,819,593	76,847,197	404,638,166
Adjustment for restatement (see note 14)	249,294	-	(249,294)	-
<b>Fund Balances - Beginning of Year, As Restated</b>	<u>100,220,670</u>	<u>227,819,593</u>	<u>76,597,903</u>	<u>404,638,166</u>
<b>Fund Balances - End of Year</b>	<u>\$ 110,182,430</u>	<u>\$ 266,885,549</u>	<u>\$ 79,552,158</u>	<u>\$ 456,620,137</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended Jun 30, 2011**

Net change in fund balances-total governmental funds \$ 51,981,971

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital asset additions	\$ 42,146,702	
Depreciation expense	<u>(17,603,791)</u>	24,542,911

Governmental funds report the proceeds from the disposal of capital assets as revenue. In the statement of activities, only the resulting gain or loss is reported.

Net loss on equipment	(38,506)
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The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond proceeds and premium, including refunding bond	(92,889,696)	
Repayment of bond principal, including refunded bonds	26,485,000	
Payment to refunding bond escrow agent, net of excess of \$367,510	11,735,001	
Net increase in accreted interest	(915,115)	
Bond premium, current year amortization	1,181,173	
Issue costs, current year amortization and prior year write-off	(2,334,160)	
Issue costs of new issuances	560,155	
Repayment of capital lease	1,209,372	
Deferred liability, current year amortization	(155,128)	
Increase in accrued interest expense	<u>(950,584)</u>	
Change in long-term bond liability		(56,073,982)

In the statement of activities, certain operating expenses -- compensated absences (vacations), -- are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable decreased by \$510,488.	510,488
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Property taxes are recorded on a cash basis as they are not considered as "available" revenues in the governmental funds. The net change in the receivable related to property taxes levied for the repayment of debt is:	1,535,151
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Internal service funds are used by the District to manage the Self-Insurance Fund. The net income of \$5,252,726 is reported with governmental activities.	5,252,726
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Increase in postemployment benefits other than pensions (OPEB)	<u>(9,687,177)</u>
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Change in net assets of governmental activities	<u><u>\$ 18,023,582</u></u>
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See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS

June 30, 2011

	<u>Governmental Activities</u>
	<u>Self Insurance Funds</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 61,189,830
Cash in revolving fund	830,000
Accounts receivable:	
Miscellaneous	445,716
Due from other funds	10,935,191
Prepaid expenditures	<u>44,464</u>
<b>Total Assets</b>	<u>73,445,201</u>
 <b><u>Liabilities</u></b>	
Accounts payable	3,626,591
Due to other funds	276,036
Estimated liability for open claims and IBNRs	<u>45,581,798</u>
<b>Total Liabilities</b>	<u>49,484,425</u>
 <b><u>Net Assets</u></b>	
Unrestricted	<u>23,960,776</u>
<b>Total Net Assets</b>	<u>\$ 23,960,776</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS  
PROPRIETARY FUNDS**

**For the Fiscal Year Ended June 30, 2011**

	<b>Governmental Activities</b>
	<b>Self Insurance Funds</b>
<b>Operating Revenues</b>	
Self-insurance premiums	\$ 76,965,376
<b>Total Operating Revenues</b>	76,965,376
 <b>Operating Expenditures</b>	
Salaries	422,167
Benefits	175,784
Other supplies	44,352
Payments for health and welfare claims	71,349,986
<b>Total Operating Expenditures</b>	71,992,289
Operating Income	4,973,087
 <b>Non-Operating Revenues</b>	
Interest income	279,639
<b>Total Non-Operating Revenues</b>	279,639
Change in net assets	5,252,726
 <b>Net Assets - Beginning of Year</b>	18,708,050
<b>Net Assets - End of Year</b>	\$ 23,960,776

See the accompanying notes to the financial statements.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**For the Fiscal Year Ended June 30, 2011**

	<b>Governmental Activities</b>
	<b>Self Insurance Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums and other revenues	\$ 127,260,279
Cash paid for claims and operating expenses	(77,925,396)
Net cash used by operating activities	49,334,883
<b>Cash Flows from Investing Activities and Other Sources</b>	
Interest income	152,611
Net cash provided by investing activities and other sources	152,611
Net increase in cash and cash equivalents	49,487,494
Cash and cash equivalents - July 1, 2010	12,532,336
<b>Cash and cash equivalents - June 30, 2011</b>	<b>\$ 62,019,830</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities</b>	
<b>Operating Income</b>	<b>\$ 4,973,087</b>
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(155,638)
Due from other funds	50,450,541
Accounts payable	22,189
Due to other funds	31,378
Estimated claims	(5,986,674)
Total adjustments	44,361,796
<b>Net Cash Used by Operating Activities</b>	<b>\$ 49,334,883</b>
Cash balances at June 30, 2011 consisted of the following:	
Cash in county treasury	61,189,830
Cash in revolving fund	830,000
Total cash balances at June 30, 2011	<b>\$ 62,019,830</b>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS

June 30, 2011

	<u>Associated Student Body Funds</u>
<b><u>Assets</u></b>	
Cash on hand and in banks	\$ 5,392,062
Accounts receivable:	
Miscellaneous	17,654
Stores inventory	<u>32,826</u>
<b>Total Assets</b>	<u>5,442,542</u>
<b><u>Liabilities</u></b>	
Accounts payable	180,774
Funds held in trust	<u>3,438,968</u>
<b>Total Liabilities</b>	<u>3,619,742</u>
<b><u>Net Assets</u></b>	
Unrestricted	<u>1,822,800</u>
<b>Total Net Assets</b>	<u>\$ 1,822,800</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FUND NET ASSETS - FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2011

	<u>Associated Student Body Funds</u>
<b>Additions</b>	
Revenue from local sources	\$ 4,185,443
<b>Total Additions</b>	<u>4,185,443</u>
<b>Deductions</b>	
Other expenses	4,094,697
<b>Total Deductions</b>	<u>4,094,697</u>
Changes in net assets	90,746
<b>Net Assets - Beginning of Year</b>	<u>1,732,054</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,822,800</u>

See the accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

# LONG BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

The significant accounting policies applicable to the District are described below.

#### **A. BASIS OF PRESENTATION:**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements.

##### **1. Government-wide Financial Statements:**

The Statement of Net Assets and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Assets presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation has been allocated to specific functions while interest expense has not been allocated.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

**A. BASIS OF PRESENTATION:** (continued)

**2. Fund Financial Statements:**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

Ancillary services – includes activities that are generally designed to provide students with experiences outside the regular school day.

Community services – includes activities that provide services to community participants other than students.

Enterprise activities – includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**A. BASIS OF PRESENTATION: (continued)**

**2. Fund Financial Statements: (continued)**

General administration – includes data processing services and all other general administration services.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other outgo – includes transfers to other agencies.

The proprietary and fiduciary fund expenditures are presented by natural classification.

**B. FUND ACCOUNTING:**

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, 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. The modified accrual basis of accounting is used for all governmental funds.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

**B. FUND ACCOUNTING:** (continued)

**GOVERNMENTAL FUNDS - MAJOR**

**General Fund** – is used to account for all financial transactions except those legally required to be accounted for in another fund. It is the general operating fund of the District. The District has elected to record Emerson Charter School activity in the General Fund as the funding comes through the General Fund. The Special Reserve Fund (Other Than Capital Outlay) has been consolidated with the General Fund due to the implementation of GASB Statement No. 54.

**Building Fund** – used to account for the proceeds of Measure A and Measure K General Obligation Bonds.

**GOVERNMENTAL FUNDS – NON-MAJOR**

**Debt Service Funds** – used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

1. Debt Service Fund - used to account for the payment of principal and interest on general long-term debt. The District maintains the Debt Service Fund to account for bond interest and redemption of bond principal.

**Special Revenue Funds** - used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

1. Adult Education Fund - used to account for resources committed to adult education programs maintained by the District. Due to the flexibility provisions enacted by education trailer bill SBX3 4, this fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. However, because the flexibility is temporary, the restricted revenue source is expected to continue and the District has taken formal action to commit the flexed revenues to these programs for the continued operation of the original program, the fund now meets the requirements to be reported as a Special Revenue fund.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FUND ACCOUNTING: (continued)**

**GOVERNMENTAL FUNDS – NON-MAJOR (continued)**

2. Child Development Fund - used to account for resources committed to child development programs.
3. Cafeteria Fund - used to account for revenues received and expenditures made to operate the District's food and nutrition service program.
4. Deferred Maintenance Fund - used for the purpose of major repair or replacement of District property. Due to the flexibility provisions enacted by education trailer bill SBX3 4, this fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. However, because the flexibility is temporary, the restricted revenue source is expected to continue and the District has taken formal action to commit the flexed revenues to these programs for the continued operation of the original program, the fund now meets the requirements to be reported as a Special Revenue fund.

**Capital Projects Funds** - used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

1. Capital Facilities Fund - used to account for resources received from residential and commercial developer impact fees.
2. State School Building Lease-Purchase Fund - used for modernization and construction projects funded by State apportionments.
3. County School Facilities Fund – used to account for the School Facility Program grant awards for modernization and new construction of various school sites.
4. Special Reserve Fund – used to account for specific board-approved capital expenditures.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FUND ACCOUNTING: (continued)**

**PROPRIETARY FUNDS**

**Internal Service Funds** – used to account for services rendered on a cost-reimbursement basis within the District. The Internal Service Fund consists of two sub-funds as follows:

1. Deductible Insurance Fund – used to account for resources committed to the District's self-insurance program for property loss or damage.
2. Health, Vision and Dental Insurance and Workers' Compensation Fund – used to account for resources committed to the District's health, vision, dental and workers' compensation insurance programs. Additionally, this fund is used to account for retiree health care costs and reserves for future payments related to other postemployment benefits.

**FIDUCIARY FUNDS**

**Student Body Funds** – used to account for the raising and spending of money to promote the general welfare, morale and educational experiences of the student body. The District operates 38 separate student body funds.

**AGENCY ACTIVITIES**

The District operates a warrant pass-through fund as a holding account for amounts withheld from employees for federal taxes, state taxes and other contributions. The District had a liability in the County Treasury amounting to \$434,229 on June 30, 2011, which represents withholdings payable. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In accordance with GASB Statement No. 20, the District's proprietary funds follow all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District also applies all FASB statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year. The District has recognized receivables in accordance with this standard, the most notable being for the final P-2 apportionment.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2011, the inventory for supplies is \$983,645 and the inventory for food is \$1,309,475.

4. Prepaid Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

5. Capitalized Fees

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense in the government-wide statements over the life of the liability. These costs are amortized using the straight-line method.

6. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

6. Capital Assets (continued)

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Furniture and Equipment	5 to 20 years
Vehicles	6 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

7. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

8. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the District. The entire compensated absences liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

8. Compensated Absences (continued)

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the District. The entire compensated absences liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

9. Long Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Fund Balance Classification

During the current fiscal year, the District implemented the reporting model required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Therefore, 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. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

10. Fund Balance Classification (continued)

Restricted: 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.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to the Chief Business and Financial Officer or designee to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Refer to Note 14 for the details of the restatement to the District's governmental fund beginning fund balances.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

10. Fund Balance Classification (continued)

Minimum Fund Balance Policy:

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 2% of budgeted General Fund expenditures and other financing uses.

11. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

12. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.



LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

13. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes for debt service purposes have been accrued in the Government-wide financial statements.

14. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement Systems on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$7,200,000 for STRS.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

**C. BASIS OF ACCOUNTING:** (continued)

15. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

16. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*.

17. 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.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

**D. REPORTING ENTITY:**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**D. REPORTING ENTITY: (continued)**

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

1. Long Beach Education Foundation – The Foundation is a separate not-for-profit corporation established with the express purpose of promoting and assisting the educational program of the District in accordance with the mission, policies and priorities of the District. The Foundation Board of Directors is selected independent of any District Governing Board elections. The Foundation Board is responsible for approving its own budget and related accounting and finance activities.
2. California State University Dominguez Hills Foundation – The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors are elected independent of any District Governing Board appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. The Foundation supports some functions of the California Academy of Mathematics and Science (CAMS) – a high school under the jurisdiction of the District.
3. Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.
4. Charter Schools – Constellation, New City, Rosie the Riveter and Colegio New City Charter Schools– These charter schools receive their funding directly from other government agencies and have a separate governing board. The condensed unaudited financial information for June 30, 2011 for these schools is presented on the following page.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**D. REPORTING ENTITY: (continued)**

	<u>Constellation</u>	<u>New City</u>	<u>Rosie the Riveter</u>	<u>Colegio New City</u>
Total Assets	\$ 277,540	\$ 3,937,411	\$ 43,925	\$ 566,464
Total Liabilities	<u>48,902</u>	<u>2,144,065</u>	<u>152,454</u>	<u>263,594</u>
Fund Balance	<u>\$ 228,638</u>	<u>\$ 1,793,346</u>	<u>\$ (108,529)</u>	<u>\$ 302,870</u>
Total Revenues	\$ 1,247,559	\$ 4,617,090	\$ 13,497	\$ 915,956
Total Expenditures	<u>1,229,704</u>	<u>3,544,061</u>	<u>100,218</u>	<u>704,944</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ 17,855</u>	<u>\$ 1,073,029</u>	<u>\$ (86,721)</u>	<u>\$ 211,012</u>

Separate financial statements for these entities can be obtained through the District.

**NOTE 2 - BUDGETS:**

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section. This schedule also includes budgets for the Special Reserve Fund (Other Than Capital Outlay) due to the implementation of GASB Statement No. 54.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 3 - DEPOSITS:**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2011, \$18,846,481 of the District's bank balance of \$20,437,342 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$17,321,090
Uninsured and uncollateralized	<u>1,525,391</u>
Total	<u>\$18,846,481</u>

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair market value of the District's deposits as noted above in this pool as of June 30, 2011, as provided by the pool sponsor, was \$449,262,525.

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. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 4 - INTERFUND TRANSACTIONS:**

Interfund activity has been eliminated in the Government-wide statements as required by GASB No. 34. The following balances and transactions are reported in the fund financial statements.

**A. Interfund Receivables/Payables**

Individual interfund receivable and payable balances at a June 30, 2011 are temporary loans and are detailed as follows:

	Interfund Receivables	Interfund Payables
<b>Major Funds:</b>		
General Fund	\$ 6,294,111	\$ 10,913,705
Building Fund		3,108,672
 <b>Non-Major Funds:</b>		
Special Revenue Funds:		
Adult Education Fund	67,398	186,458
Child Development Fund	257,245	2,924,894
Cafeteria Fund	294,996	3,596,566
Deferred Maintenance Fund	3,100,000	1,721
Capital Projects Funds:		
Capital Facilities Fund	99,384	40,273
 <b>Proprietary Fund:</b>		
Self-Insurance Fund	10,935,191	276,036
	\$ 21,048,325	\$ 21,048,325

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE 4 - INTERFUND TRANSACTIONS:** (continued)

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2010-11 fiscal year are as follows:

Transfer from the General Fund to the Adult Education Fund for Lottery Allocations	\$ 44,589
Transfer from the Building Fund to the Deferred Maintenance Fund for estimated match for State funds	3,100,000
Transfer from the General Fund to the Adult Education Fund for Revenue to maintain the Adult Education program	3,461,413
Transfer from the General Fund to the Child Development Fund to cover expenses of the Child Development program	238,010
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement	<u>196,821</u>
	<u>\$7,040,833</u>



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 5 - FUND BALANCES:**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>				
Revolving cash	\$ 398,850	\$	\$	\$ 398,850
Inventory	983,645		1,410	985,055
Prepaid expense	205,096		1,309,475	1,514,571
Total Nonspendable	<u>1,587,591</u>	<u>-</u>	<u>1,310,885</u>	<u>2,898,476</u>
<b>Restricted</b>				
Legally restricted programs	12,757,589		121,134	12,878,723
Debt service			39,202,861	39,202,861
Child development program			371,527	371,527
Capital projects		266,885,549	26,300,610	293,186,159
Total Restricted	<u>12,757,589</u>	<u>266,885,549</u>	<u>65,996,132</u>	<u>345,639,270</u>
<b>Committed</b>				
Adult education program			757,359	757,359
Deferred maintenance program			6,523,919	6,523,919
Total Committed	<u>-</u>	<u>-</u>	<u>7,281,278</u>	<u>7,281,278</u>
<b>Assigned</b>				
Contingency for state trigger reduction	24,159,387			24,159,387
Contingency for multi-year structural budget deficit	57,726,761			57,726,761
Nutrition services			4,963,863	4,963,863
Lottery	4,525			4,525
Total Assigned	<u>81,890,673</u>	<u>-</u>	<u>4,963,863</u>	<u>86,854,536</u>
<b>Unassigned</b>				
Economic uncertainties	13,946,577			13,946,577
Total Unassigned	<u>13,946,577</u>	<u>-</u>	<u>-</u>	<u>13,946,577</u>
<b>Total fund balances</b>	<u><u>\$ 110,182,430</u></u>	<u><u>\$ 266,885,549</u></u>	<u><u>\$ 79,552,158</u></u>	<u><u>\$ 456,620,137</u></u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 6 - LEASES:

A. Capital Leases

The District leases equipment which were capitalized as the useful life criteria was met. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease Payment</u>
2012	\$ 1,146,643
2013	1,029,827
2014	701,096
2015	98,527
2016	<u>2,409</u>
Total	2,978,502
Less Amount Representing Interest	<u>309,873</u>
Present Value of Net Minimum Lease Payments	<u>\$ 2,668,629</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 6 - LEASES: (continued)**

**B. Operating Leases**

The District has entered into various operating leases for buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2011-12	\$ 638,855
2012-13	131,951
2013-14	51,300
2014-15	42,305
2015-16	<u>15,466</u>
Total	<u>\$ 879,877</u>

2010-11 expenditures for operating leases were approximately \$942,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 7 - GENERAL OBLIGATION BONDS:**

**Measure A Series**

On March 30, 1999, the District voters approved the issuance of \$295,000,000 of general obligation bonds under the provisions of Title 1, Division 1, Part 10, Chapter 2 of the State of California Education Code, commencing with 15100. The District has offered the following general obligation bonds for sale: Series A for \$25,000,000 (July 15, 1999), Series B for \$30,000,000 (July 1, 2000), Series C for \$60,000,000 (August 1, 2001), Series D for \$40,000,000 (May 1, 2002), Series E for \$60,000,000 (May 1, 2003), Series F \$50,000,000 (June 1, 2004), and Series G \$14,345,000 of current interest bonds and \$15,650,606 of capital appreciation bonds (July 17, 2008). The bonds were issued to finance various capital improvements in particular to upgrade outdated heating, plumbing, ventilation and electrical systems, rehabilitate 50 year old classrooms, repair leaky roofs, upgrade classroom electrical systems for computers, and build new classrooms and schools to eliminate overcrowding and allow students to attend neighborhood schools.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS: (continued)**

**Measure A Series (continued)**

On July 17, 2008, the District issued 2008 General Obligation Refunding Bonds, Series A of \$38,320,000 of current interest bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A through D) of the District and to pay the costs of issuance associated with the Refunding Bonds.

On April 7, 2009, the District issued 2009 General Obligation Refunding Bonds, Series B of \$28,465,000 current interest bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A through C) of the District and to pay the costs of issuance associated with the Refunding Bonds.

The proceeds associated with the Refunding Bonds Series A and Series B were deposited in an escrow fund for future repayment. At June 30, 2011, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

On February 3, 2010, the District issued 2010 General Obligation Refunding Bonds, Series C of \$51,720,000 serial and term bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A, C through F) of the District and to pay the costs of issuance associated with the Refunding Bonds.

The proceeds associated with the Refunding Bonds, Series C were deposited in an escrow fund for future repayment. At June 30, 2011, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,240,000. These bonds are considered in-substance defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on the Series C refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$3,102,565. Amortization of \$155,128 was recognized during the 2010-11 year.

On April 19, 2011, the District issued 2011 General Obligation Refunding Bonds, Series D of \$11,330,000 of current interest serial bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series E) of the District and to pay the cost of issuance associated with the Refunding Bonds.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS: (continued)**

**Measure A Series (continued)**

The difference in cash flow requirements related to the Series D refunding amounted to a savings of approximately \$522,677. The present value of economic gain to the District amounts to approximately \$411,541. These savings result in a recalculation of the bond repayment schedules and are included in the consolidated schedule noted on the subsequent page. The proceeds associated with the 2011 Refunding Bonds were deposited in an escrow fund for future repayment. At June 30, 2011, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$12,102,500. The difference between the reacquisition price and the net carrying amount on the refunded debt is considered a deferred charge on refunding. This amount was written off in the current fiscal year as it was not material to the financial statements.

**Measure K Series**

On November 4, 2008, the voters approved the issuance of bonds, not to exceed \$1,200,000,000. On April 7, 2009, the District issued General Obligation Bonds, Election 2008, Series A of \$260,000,000. The bonds were issued for the purpose of refunding the District's outstanding 2008 Capital Project Notes and paying for the cost of new construction, reconstruction or modernization of some or all of the schools within the District.

On April 19, 2011, the District issued General Obligation Bonds, Election 2008, Series B and B-1 of \$3,020,686 of capital appreciation serial bonds and \$72,406,000 of Qualified School Construction Bonds. These bonds are being issued to finance the acquisition, construction, rehabilitation and equipping of classrooms and school facilities within the District, and to pay the costs of issuing these bonds.

The Series B-1 bonds are being designated as "Qualified School Construction Bonds" for purposes of the American Recovery and Reinvestment Act of 2009. With respect to the Series B-1 bonds, the District expects to receive, on or about each bond payment date, a cash subsidy payment from the United States Treasury equal to the amount of interest determined at a federal tax credit rate under Section 54A(b)(3) of the tax code. The District will deposit the cash subsidy with the County to be credited to the Bond Interest and Redemption Fund for debt service payments.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS: (continued)**

**Payments**

Interest due is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2001 (Series A), August 1, 2003 (Series B, C and D), February 1, 2007 (Series E and F), February 1, 2009 (Series G and Refunding Bond Series A), August 1, 2009 (Refunding Bond Series B and Measure K Series A), August 1, 2010 (Refunding Bond Series C), and August 1, 2011 (Measure K Series B-1 and Refunding Bond Series D). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Capital appreciation bonds issued for Measure A, Series G and Measure K, Series B have maturity dates from August 1, 2023 through August 1, 2033 and August 1, 2034 through August 1, 2035, respectively. Prior to the maturity date, the bond will accrete interest on the principal component.

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Principal Payment Current Year<sup>(1)</sup></u>	<u>Outstanding June 30, 2011</u>
<b>Measure A</b>								
Series C	8/1/2001	4.3%-7.3%	8/1/2031	\$ 60,000,000	\$ 19,805,000	\$	\$	\$ 19,805,000
Series D	5/1/2002	4.125%-6.0%	8/1/2031	40,000,000	17,985,000		955,000	17,030,000
Series E	5/1/2003	2.0%-5.0%	8/1/2032	60,000,000	39,390,000		13,145,000	26,245,000
Series F	6/1/2004	3.5%-5.375%	8/1/2033	50,000,000	32,270,000		1,040,000	31,230,000
Series G	7/17/2008	3.5%-5.44%	8/1/2033	29,995,606	29,995,606			29,995,606
Accreted Interest					1,285,370	915,115		2,200,485
<b>Refunding Bond</b>								
Series A	7/17/2008	2.57%-4.28%	8/1/2022	38,320,000	38,320,000			38,320,000
Series B	4/7/2009	3.0%-5.25%	8/1/2029	28,465,000	28,060,000		820,000	27,240,000
Series C	2/3/2010	2.5%-5.125%	8/1/2029	51,720,000	51,720,000			51,720,000
Series D	4/19/2011	3.0%-5.25%	8/1/2024	11,330,000		11,330,000		11,330,000
<b>Measure K</b>								
Series A	4/7/2009	3.5%-5.0%	8/1/2033	260,000,000	260,000,000		22,260,000	237,740,000
Series B	4/19/2011	7.26%-7.33%	8/1/2035	3,020,686		3,020,686		3,020,686
Series B-1	4/19/2011	5.314%-5.914%	8/1/2025	<u>72,406,000</u>		<u>72,406,000</u>		<u>72,406,000</u>
				<u>\$ 705,257,292</u>	<u>\$ 518,830,976</u>	<u>\$ 87,671,801</u>	<u>\$ 38,220,000</u>	<u>\$ 568,282,777</u>
							Deferred Charge on Refunding Bond Premium	(2,947,437) 28,141,632
							Total Bonds Payable	<u>\$ 593,476,972</u>

<sup>(1)</sup> Redeemed current year to refunded bond escrow agent  
Series E \$ 11,735,000

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS: (continued)**

**Payments (continued)**

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Series A, Series B, Series C and Series D included a premium of \$1,021,276; \$2,308,212; \$994,834; \$4,658,623; and \$853,200, respectively. The Measure K, Series A and Series B bonds included a premium of \$15,098,514 and \$5,279,810, respectively. These amounts are amortized using the straight-line method. Amortization of \$1,181,173 was recognized during the 2010-11 year.

In addition, associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized using the straight-line method to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Series A, Series B, Series C, and Series D, included issue costs of \$341,126; \$345,020; \$177,942; \$291,058 and \$80,689, respectively. The Measure K, Series A, Series B and Series B-1 included issue costs of \$1,856,302; \$19,662; and \$459,805, respectively. These amounts are amortized using the straight-line method. Amortization of \$146,443 was recognized during the 2010-11 year.

**Payments – Measure A Series**

The annual requirements to amortize Measure A bond payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2012	\$ 4,505,000	\$ 11,543,760	\$	\$ 16,048,760
2013	5,785,000	11,441,969		17,226,969
2014	6,940,000	11,143,769		18,083,769
2015	7,555,000	10,836,756		18,391,756
2016	7,845,000	10,536,638		18,381,638
2017-2021	55,490,000	45,945,569		101,435,569
2022-2026	61,756,424	31,536,149	3,808,575	97,101,148
2027-2031	74,498,784	15,152,114	12,436,216	102,087,114
2032-2034	28,540,398		16,179,603	44,720,001
Total	<u>\$ 252,915,606</u>	<u>\$ 148,136,724</u>	<u>\$ 32,424,394</u>	<u>\$ 433,476,724</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 7 - GENERAL OBLIGATION BONDS: (continued)**

**Payments – Measure K Series**

The annual requirements to amortize Measure K bond payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2012	\$ 16,085,000	\$ 14,545,497	\$	\$ 30,630,497
2013	18,710,000	14,871,380		33,581,380
2014	9,015,000	14,264,330		23,279,330
2015	10,335,000	13,834,205		24,169,205
2016	11,745,000	13,342,630		25,087,630
2017-2021	74,521,000	56,644,903		131,165,903
2022-2026	99,800,000	34,472,969		134,272,969
2027-2031	38,960,000	14,368,025		53,328,025
2032-2036	<u>33,995,686</u>	<u>2,414,232</u>	<u>42,489,314</u>	<u>78,899,232</u>
Total	<u>\$ 313,166,686</u>	<u>\$ 178,758,171</u>	<u>\$ 42,489,314</u>	<u>\$ 534,414,171</u>

**NOTE 8 - OTHER ACCOUNTING DISCLOSURES:**

**A. Long-term debt** - A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below.

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amount Due in One Year</u>
Compensated absences	\$ 10,665,475		510,488	\$ 10,154,987	\$ 8,039,627
Capital Leases	3,878,001		1,209,372	2,668,629	1,021,978
Net OPEB obligation	15,558,671	9,687,177		25,245,848	
General obligation bonds:					
General obligation bonds payable	517,545,606	86,756,686	38,220,000	566,082,292	20,590,000
Bond premium	23,189,795	6,133,010	1,181,173	28,141,632	
Deferred charge	(3,102,565)		155,128	(2,947,437)	
Accreted interest on capital appreciation bonds	<u>1,285,370</u>	<u>915,115</u>		<u>2,200,485</u>	
Totals	<u>\$ 569,020,353</u>	<u>\$ 103,491,988</u>	<u>\$ 41,276,161</u>	<u>\$ 631,546,436</u>	<u>\$ 29,651,605</u>

For governmental activities, compensated absences and net OPEB obligations are liquidated by the General Fund.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 8 - OTHER ACCOUNTING DISCLOSURES: (continued)**

**B. Capital assets** - A schedule of changes in general fixed assets for the year ended June 30, 2011, is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Depreciated:				
Land	\$ 113,922,550	\$	\$	\$ 113,922,550
Work In Progress	<u>24,906,165</u>	<u>29,028,153</u>	<u>581,624</u>	<u>53,352,694</u>
Total capital assets not depreciated:	<u>138,828,715</u>	<u>29,028,153</u>	<u>581,624</u>	<u>167,275,244</u>
Capital assets depreciated:				
Land Improvements	20,790,558	365,302		21,155,860
Buildings and Improvements	706,125,925	1,105,782		707,231,707
Books and Media In Library	21,951,652	8,525,343		30,476,995
Vehicles	11,874,953	2,072,605	577,557	13,370,001
Machinery and Equipment	<u>55,846,697</u>	<u>1,631,141</u>	<u>3,580,450</u>	<u>53,897,388</u>
Total capital assets depreciated	<u>816,589,785</u>	<u>13,700,173</u>	<u>4,158,007</u>	<u>826,131,951</u>
Accumulated depreciation for:				
Land Improvements	14,502,907	515,003		15,017,910
Buildings and Improvements	281,970,151	12,987,848		294,957,999
Books and Media In Library	18,195,908	1,123,773		19,319,681
Vehicles	9,653,970	664,298	577,557	9,740,711
Machinery and Equipment	<u>47,652,720</u>	<u>2,312,869</u>	<u>3,541,944</u>	<u>46,423,645</u>
Total accumulated depreciation	<u>371,975,656</u>	<u>17,603,791</u>	<u>4,119,501</u>	<u>385,459,946</u>
Total capital assets depreciated, net	<u>444,614,129</u>	<u>(3,903,618)</u>	<u>38,506</u>	<u>440,672,005</u>
Governmental activities capital assets, net	<u>\$ 583,442,844</u>	<u>\$ 25,124,535</u>	<u>\$ 620,130</u>	<u>\$ 607,947,249</u>

Depreciation expense was allocated to the following functions:

Governmental Activities:	
Instruction	\$14,291,096
Instruction – related services	1,150,366
Pupil Services	161,424
General Administration	803,252
Plant Services	<u>1,197,653</u>
Net governmental activities depreciation expense	<u>\$17,603,791</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 9 - INTERNAL SERVICE FUNDS:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through the year, the District has maintained the following self-insurance programs and accounts for them in Internal Service Funds. The District is self insured for property and liability, health, vision, dental and workers' compensation. These funds account for and finance the uninsured portion of losses. The Deductible Insurance Fund provides general liability coverage primarily for particular property damage and bodily injury claims. The District participates in a Joint Powers Authority for claims in excess of the amount provided by the Deductible Insurance Fund and for certain other risks. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, through the Deductible Insurance Fund, the District is completely self-insured for certain other types of claims, principally related to property losses due to vandalism and natural disasters.

Through its Health, Vision and Dental Insurance Fund, the District is partially self-insured for health, vision and dental plan claims. The District maintains an excess insurance policy for health program claims.

The District is self insured for claims related to workers' compensation. The District carries excess insurance for claims over their retention.

Payments from the applicable government fund type are made to the self-insurance fund in amounts needed to pay the estimated claims as well as fund future obligations.

Liabilities for loss and loss adjustment expenses for each Internal Service Fund are based on the ultimate cost of settling the claims which include the accumulation of estimates for losses reported prior to the balance sheet date and an estimate of losses incurred but not reported. Such liabilities, which are discounted at 1.3%, are estimates of future expected settlement and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed, and as settlements are made, or reserves adjusted, differences are reflected in current operations.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 9 - INTERNAL SERVICE FUNDS: (continued)**

At June 30, 2011, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is estimated at \$45,581,800. The Self Insurance Funds currently have a combined positive fund balance of \$23,960,776. This is largely due to worker compensation balances. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Workers Compensation	\$ 37,959,155	\$ 4,816,489	\$ 10,146,609	\$ 32,629,035
Deductible Insurance	736,973	(915,327)	(440,751)	262,397
Health, Vision and Dental	<u>12,872,344</u>	<u>48,167,169</u>	<u>48,349,147</u>	<u>12,690,366</u>
	<u>\$ 51,568,472</u>	<u>\$ 52,068,331</u>	<u>\$ 58,055,005</u>	<u>\$ 45,581,798</u>

**NOTE 10 - EMPLOYEE RETIREMENT PLANS:**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), classified employees are members of Public Employees' Retirement System (PERS), and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of an Alternative Retirement System (ARS/PARS).

**State Teachers' Retirement System (STRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**State Teachers' Retirement System (STRS) (continued)**

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Public Employees' Retirement System (PERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The average required employer contribution for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)**

**Contributions to STRS and PERS**

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2009	\$32,088,254	100%	\$11,128,472	100%
2010	31,546,874	100%	10,973,760	100%
2011	29,493,082	100%	11,301,310	100%

**NOTE 11 - ALTERNATE PENSION PLANS:**

**Alternate Retirement System for Part-Time, Seasonal and Temporary Employees (ARS)/(PARS)**

**Plan Description**

The Alternate Retirement System for Part-Time, Seasonal and Temporary Employees (ARS/PARS) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the ARS Plan Administrator. Eligible employees hired prior to January 1, 2002, contribute 3.75% of their covered compensation to this plan and effective November 1, 2006 the District contributes 3.75%. Eligible employees hired after January 1, 2002, contribute 7.5% of their covered compensation to this plan.

Employees who have received distributions	367
Terminated plan members entitled to but not yet receiving benefits	27,390
Active plan members	1,424
Number of participating employers	1
Contributions by Employee for the year	\$876,802
Contributions by Employer for the year	\$ 94,065

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 11 - ALTERNATE PENSION PLANS: (continued)**

**Long Beach Schools Business Management Authority Retirement Plan**

In 1998, the Long Beach Unified School District approved the development of an alternate retirement system for management employees of the District. The Long Beach Schools Business Management Authority Retirement Plan (LBSBMA) is a defined benefit pension plan established as an alternative to PERS (Public Employees Retirement System). As of July 1, 2004, the plan is no longer accepting new members. The District has negotiated to have participating members reinstated in PERS. LBSBMA covered pension benefits for employees that elected to participate in the plan. Employees who qualified for the plan were classified management and supervisors. The plan was established under IRS Code 401(a).

**Plan Description and Contribution Information**

Retirees and beneficiaries receiving benefits	36
Terminated plan members entitled to but not yet receiving benefits	96
Active plan members	0
Number of participating employers	1
Contributions by Employee for the year	\$0
Contributions by Employer for the year	\$0

Per GASB 34 paragraph 106, the financial information for both plans is provided below as there are no separate GAAP financial statements for the plans.

	LBSBMA	ARS	PARS
Assets:			
Cash and cash equivalents	\$ 875,111	\$	\$
Investments, at fair value:			
U.S. Government obligations		20,828,286	5,589,387
Total Assets	\$ 875,111	\$20,828,286	\$ 5,589,387

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 11 - ALTERNATE PENSION PLANS: (continued)**

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Additions			
Contributions:			
Employer	\$	\$	\$ 94,064
Plan members			876,802
Total Contributions	<u>-</u>	<u>-</u>	<u>970,866</u>
Investment earnings:			
Interest and dividends	<u>9</u>	<u>(14,288)</u>	<u>408</u>
Net Investment Earnings	<u>9</u>	<u>(14,288)</u>	<u>408</u>
Total Additions (Deletions)	<u>9</u>	<u>(14,288)</u>	<u>971,274</u>
Deductions:			
Benefits	(446,429)	417,284	122,962
Administrative expenses	<u>7,605</u>	<u>107,689</u>	<u>26,223</u>
Total Deductions	<u>(438,824)</u>	<u>524,973</u>	<u>149,185</u>
Change in net assets	438,833	(539,261)	822,089
Net assets - beginning of year	<u>436,278</u>	<u>21,367,547</u>	<u>4,767,299</u>
Net assets - end of year	<u>\$ 875,111</u>	<u>\$20,828,286</u>	<u>\$ 5,589,388</u>

## LONG BEACH UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011

#### **NOTE 12 – POSTEMPLOYMENT - HEALTH BENEFITS:**

##### **Plan Description and Eligibility**

The District administers a single-employer defined benefit health care plan. At June 30, 2011, there were 1,229 retirees receiving medical (health) benefits under the District health plan. The District pays for the health benefit coverage of eligible retirees, including employees who retire on disability, who have attained the age of 55 and have worked for the District for at least 15 or 17 years depending on their bargaining unit. Their benefits are paid until the retiree reaches the age of 65 or 67, respectively. However, in the case of disability retirees, there is no age requirement and coverage is until the person reaches age 67 or for up to 39 months, whichever comes earlier. The District paid \$11,455,823 for the health benefits of 781 retirees that qualified for this coverage during 2010-11. The other 448 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2011, the District collected \$4,011,972 from retirees to cover the cost of the “self-paid” health benefits.

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees. The health care plan does not issue a separate financial report.

##### **Funding Policy**

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2011, the District contributed \$11,455,823 to the plan.

##### **Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table on the following page shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 12 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

Annual required contribution (ARC)	\$21,036,000
Interest on net OPEB obligation	778,000
Adjustment to annual required contribution	(671,000)
Annual OPEB cost (expense)	21,143,000
Contributions made	(11,455,823)
Change in net OPEB obligation	9,687,177
Net OPEB obligation - Beginning of Year	15,558,671
Net OPEB obligation - End of Year	\$25,245,848

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2009, 2010 and 2011 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$10,222,000	86%	\$ 4,765,724
6/30/2010	\$20,391,286	47%	\$15,558,671
6/30/2011	\$21,143,000	54%	\$25,245,848

**Funding Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$228,345,000. The covered payroll (annual payroll of active employees covered by the plan) was \$488,786,036, and the ratio of the UAAL to the covered payroll was 47%. Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2011, the OPEB portion of the self-insurance fund's designated balance was \$1,170,824.

## LONG BEACH UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011

#### **NOTE 12 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)**

##### **Funding Status and Funding Progress (continued)**

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 6.5 percent after 5 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis over thirty years.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 13 - JOINT POWERS AGREEMENTS:**

The Long Beach Unified School District participates in three joint powers agreement (JPA) entities, the Alliance of Schools for Collective Insurance Programs (ASCIP), the Schools Excess Liability Fund (SELF), and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

ASCIP arranges for and provides property and liability insurance for its member districts. Long Beach Unified School District pays a premium commensurate with the level of coverage requested.

SELF arranges for and provides a self-funded or additional insurance for excess liability funding for approximately 1,250 public educational agencies. SELF is governed by a board comprised of 17 elected voting members, elected alternates and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual premium based upon the amounts calculated by SELF's board of directors and shares surpluses and deficits proportionate to its participation in SELF.

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass-through entity and financial information is not available. For fiscal year 2010-11 the District received local revenue in the amount of \$146,837 from the Authority.

The most current financial information for ASCIP and SELF is summarized as follows:

	ASCIP 6/30/2010 <u>(Audited)</u> (in thousands)	SELF 6/30/2011 <u>(Unaudited)</u> (in thousands)
Total assets	\$ 242,840	\$ 174,774
Total liabilities	<u>136,885</u>	<u>141,524</u>
Fund equity	<u>\$ 105,955</u>	<u>\$ 33,250</u>
Total revenues	\$ 177,534	\$ 9,165
Total expenditures	<u>162,916</u>	<u>12,425</u>
Net increase (decrease) in fund equity	<u>\$ 14,618</u>	<u>\$ (3,260)</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 14 - RESTATEMENT TO BEGINNING FUND BALANCES:**

The beginning fund balance for the General Fund and other governmental funds have been restated by \$249,294 to include the beginning fund balance of the Special Reserve Fund (Other Than Capital outlay) with the General Fund. This is in accordance with the requirements of GASB Statement No. 54.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES:**

**A. Contingent Liabilities**

**Cafeteria**

In 2002-03, the District restated its fund balance in the Cafeteria Fund and the General Fund to adjust the undercharging of indirect costs by the General Fund for prior years. This resulted in an addition to the General Fund and reduction in the Cafeteria Fund amounting to \$3,862,992. The Nutrition Services Division of the California Department of Education issued a letter dated August 11, 2005, indicating that the District's General Fund must return a portion of this to the Cafeteria Fund. The General Fund will reimburse the Cafeteria Fund for a portion of the restatement in the amount of \$1,968,212 over a ten year period to end in the fiscal year 2014-2015. The General Fund has made the appropriate transfer in the 2010-11 fiscal year and the amount remaining to be transferred is \$787,285. This is not reflected in the government wide statements since it is within the funds of the District.

**Redevelopment Agency Fees**

In November of 2009, the District filed a Summary Review request with the Education Audit Appeals Panel in relation to the redevelopment revenue invoice received from the CDE on October 8, 2009 in the amount of \$3,946,873. The invoice represents 43.3% of the state's share of collections made to the District as reported by the redevelopment agencies. In August 2011, the District received a response from the State Controller's Office reducing the original reduction to the principal apportionment to \$3,894,654 as per the appeal request. The District has accrued the \$3,894,654 in Fund 01, General Fund, awaiting billing from the CDE.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE 15 - COMMITMENTS AND CONTINGENCIES: (continued)**

**B. Litigation**

The District has been named as defendant in several lawsuits. The lawsuits are seeking, among other things, to require the District to reinstate terminated and laid-off employees. Management believes that the ultimate outcome of such lawsuits will not have a material impact on the District's financial condition.

**C. State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**D. County School Facilities Funds**

The District is currently involved in several construction and modernization projects partially funded through the State Facility Program. These projects are subject to future audits by the State, which may result in revenue adjustments to the fund.

**E. Purchase Commitments**

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$16.4 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

**REQUIRED SUPPLEMENTARY INFORMATION**

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Revenues:</b>				
Revenue Limit Sources	\$ 406,723,970	\$ 430,354,068	\$ 430,079,318	\$ (274,750)
Federal Sources	70,911,994	140,737,282	99,876,960	(40,860,322)
Other State Sources	158,450,048	157,800,579	160,528,568	2,727,989
Other Local Sources	9,334,779	20,931,720	16,805,772	(4,125,948)
<b>Total Revenues</b>	<b>645,420,791</b>	<b>749,823,649</b>	<b>707,290,618</b>	<b>(42,533,031)</b>
<b>Expenditures:</b>				
<b>Certificated Salaries:</b>				
Teachers Salaries	271,601,347	308,424,272	282,638,803	25,785,469
Pupil Support	24,248,088	26,995,460	26,536,468	458,992
Supervisors' and Administrators' Salaries	22,845,744	25,770,302	21,883,880	3,886,422
Other Certificated Salaries	9,918,233	18,036,274	16,225,772	1,810,502
<b>Classified Salaries:</b>				
Instructional Aides' Salaries	20,192,011	21,918,897	21,168,617	750,280
Support Salaries	38,145,561	38,471,560	35,739,630	2,731,930
Supervisors' and Administrators' Salaries	21,710,713	22,386,160	21,459,109	927,051
Clerical, Technical and Office Staff Salaries	18,694,967	20,609,667	19,043,623	1,566,044
Other Classified Salaries	4,177,051	4,514,893	3,959,739	555,154
<b>Employee Benefits:</b>				
STRS	27,186,066	30,331,708	28,434,749	1,896,959
PERS	9,657,531	9,673,068	9,492,362	180,706
PERS Reduction	1,367,731	1,260,652	1,265,094	(4,442)
OASDI	12,228,206	12,402,493	11,736,788	665,705
Health and Welfare Benefits	79,141,772	91,224,512	86,732,947	4,491,565
Unemployment Insurance	3,110,038	3,548,728	3,314,619	234,109
Workers' Compensation	11,922,401	10,781,434	9,983,717	797,717
Retiree Benefits	6,464,621	7,210,216	6,664,573	545,643
Other Employee Benefits		2,635	1,015	1,620
<b>Books &amp; Supplies:</b>				
Textbooks	1,530,070	1,796,624	1,511,715	284,909
Books other than Textbooks	152,276	817,925	505,365	312,560
Materials and Supplies	12,979,243	39,062,784	10,173,142	28,889,642
Noncapitalized Equipment	789,367	5,881,096	3,474,165	2,406,931
Food Service Supplies	2,000	5,180	3,969	1,211

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Services, Other Operating Expenses:</b>				
Sub-Agreements for Services	9,341,709	18,008,177	18,008,177	-
Travel and Conferences	885,807	1,624,512	1,033,765	590,747
Dues and Memberships	132,041	135,483	141,593	(6,110)
Insurance	4,243,341	4,243,936	4,243,636	300
Operating and Housekeeping Services	9,163,756	9,152,845	8,809,722	343,123
Rentals, Leases and Repairs	4,505,644	5,597,575	4,830,858	766,717
Direct Costs - Interfund	(936,757)	(1,572,333)	(1,500,690)	(71,643)
Other Services and Operating Expenses	34,594,898	44,092,699	32,824,164	11,268,535
Communications	2,795,851	2,803,024	2,605,202	197,822
<b>Capital Outlay:</b>				
Sites and Improvements of Sites	272,000	519,688	120,601	399,087
Buildings and Improvements of Buildings	169,968	1,117,987	795,474	322,513
Equipment	148,323	657,532	461,263	196,269
Equipment Replacement	765,000	487,564	449,788	37,776
<b>Other Outgo:</b>				
Tuition	40,283	53,494	60,472	(6,978)
Interagency Transfers Out	117,450	117,450	117,450	-
<b>Direct Support/Indirect Costs:</b>				
Interfund Transfers of Direct Support/Indirect Costs	(1,534,494)	(1,589,328)	(1,563,311)	(26,017)
<b>Total Expenditures</b>	<u>662,769,857</u>	<u>786,576,845</u>	<u>693,388,025</u>	<u>93,188,820</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(17,349,066)	(36,753,196)	13,902,593	50,655,789
<b>Other financing sources (uses):</b>				
Interfund Transfers out	(8,180,714)	(3,940,833)	(3,940,833)	-
<b>Net change in fund balances</b>	<u>\$ (25,529,780)</u>	<u>\$ (40,694,029)</u>	<u>9,961,760</u>	<u>\$ 50,655,789</u>
<b>Fund Balances - Beginning of Year, As Originally Stated</b>			99,971,376	
Adjustment for restatement (see note 14)			249,294	
<b>Fund Balances - Beginning of Year, As Restated</b>			<u>100,220,670</u>	
<b>Fund Balances - End of Year</b>			<u>\$ 110,182,430</u>	

See the accompanying notes to the required supplementary information.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

For the Fiscal Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	\$ -	\$ 96,257,045	\$ 96,257,045	0%	\$505,693,908	19%
7/1/2009	-	228,345,000	228,345,000	0%	488,786,036	47%

Note: Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2011, the OPEB portion of the self-insurance fund's designated balance was \$1,170,824.

See the accompanying notes to the required supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedule of Budgetary Comparison For The General Fund**

GASB Statement No. 34 requires a budgetary comparison be presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

**B. Schedule of Postemployment Healthcare Benefits Funding Progress**

This schedule is prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Excesses of expenditures over appropriations in the General Fund, by major object accounts, occurred in the following fund:

General Fund:	
Other Outgo-Tuition	\$ 6,978

**SUPPLEMENTARY INFORMATION**

# LONG BEACH UNIFIED SCHOOL DISTRICT

## HISTORY AND ORGANIZATION

June 30, 2011

The Long Beach Unified School District began operations as a newly formed unified district on July 1, 1945. During the current year, the District maintained forty-six elementary schools, twenty-seven middle and K-8 schools, eleven high schools (including a continuation school, independent study and science academy), one adult school and five charter schools.

### BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Felton Williams	President	July, 2012
Dr. David Barton	Vice President	July, 2014
Jon Meyer	Member	July, 2012
Mary Stanton	Member	July, 2014
John McGinnis	Member	July, 2014
Camille Santiago	Student Member	July, 2011

### ADMINISTRATIVE OFFICERS

Christopher Steinhauser	Superintendent of Schools
Christine Dominguez	Deputy Superintendent
Kim Stallings	Chief Business and Financial Officer Through April 4, 2011
Roland Fortson	Interim Chief Business and Financial Officer March 30, 2011-June 30, 2011
James Novak	Chief Business and Financial Officer Effective July 18, 2011

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2011**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the State excluding Charter Schools, for the fiscal year ended June 30, 2011 are as follows:

	<b>Revised Second Period</b>	<b>Revised Annual</b>
	<u>          </u>	<u>          </u>
Elementary:		
Kindergarten	5,640	5,651
First through third grade	17,305	17,318
Fourth through eight grade	28,986	28,984
Opportunity schools	27	30
Home and hospital - temporary physical disabilities	27	28
Special Education master plan	1,698	1,714
Special Education - nonpublic, nonsectarian schools	32	38
Extended year special education - mandated	83	83
Extended year - nonpublic, nonsectarian schools	4	4
	<u>          </u>	<u>          </u>
Total elementary ADA	53,802	53,850
	<u>          </u>	<u>          </u>
Secondary:		
Regular classes	24,625	24,623
Continuation education	337	314
Opportunity schools	18	20
Home and hospital - temporary physical disabilities	29	29
Special Education master plan	956	950
Special Education - nonpublic, nonsectarian schools	152	162
Community day school	4	4
Extended year special education - mandated	91	91
Extended year - nonpublic, nonsectarian schools	25	27
	<u>          </u>	<u>          </u>
Total secondary ADA	26,237	26,220
	<u>          </u>	<u>          </u>
Total ADA	<u>80,039</u>	<u>80,070</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2011

Grade Level	1986-87	1986-87	1982-83	1982-83	2010-11	Number of Days		Status
	Minutes Requirement	Minutes Reduced	Actual Minutes	Minutes Reduced	Actual Minutes	Traditional Calendar	Calendar	
Kindergarten	36,000	35,000	31,747	30,865	35,000	175	175	In Compliance
Grade 1	50,400	49,000	49,930	48,543	49,115	175	175	In Compliance
Grade 2	50,400	49,000	49,930	48,543	49,115	175	175	In Compliance
Grade 3	50,400	49,000	49,930	48,543	49,115	175	175	In Compliance
Grade 4	54,000	52,500	52,110	50,663	52,504	175	175	In Compliance
Grade 5	54,000	52,500	52,110	50,663	52,504	175	175	In Compliance
Grade 6	54,000	52,500	52,110	50,663	55,170	175	175	In Compliance
Grade 7	54,000	52,500	52,110	50,663	55,170	175	175	In Compliance
Grade 8	54,000	52,500	52,110	50,663	55,170	175	175	In Compliance
Grade 9	64,800	63,000	64,800	63,000	63,005	175	175	In Compliance
Grade 10	64,800	63,000	64,800	63,000	63,005	175	175	In Compliance
Grade 11	64,800	63,000	64,800	63,000	63,005	175	175	In Compliance
Grade 12	64,800	63,000	64,800	63,000	63,000	175	175	In Compliance

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2011**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>Department of Education:</b>			
Direct Programs			
Physical Education for Progress	84.215F	(1)	\$ 1,651
Indian Education	84.060	(1)	17,149
GEAR UP	84.334A	(1)	3,768,318
Smaller Learning Communities	84.215L	(1)	1,169,861
Teaching American History Grant	84.215X	(1)	287,006
Magnet School Assistance	84.165	(1)	588,661
A Red, White, and Blueprint for History	84.215X	(1)	29,200
School Leadership Program	84.363A	(1)	369,091
S P A R K	84.359B	(1)	1,189,030
Subtotal Direct Programs			<u>7,419,967</u>
Pass-Through Program From California Department of Education			
Special Education Cluster			
IDEA Basic Local Assistance Entitlement	84.027	13379	13,255,134
IDEA Basic Local Assist - Private School	84.027	10115	69,143
American Reinvestment and Recovery Act: IDEA Basic Local Assistance Entitlement	84.391A	15003	6,219,218
American Reinvestment and Recovery Act: IDEA Basic Local Assistance - Private School	84.391A	10123	37,728
Federal Preschool Grants	84.173A	13430	318,373
American Reinvestment and Recovery Act: Federal Preschool Grants	84.392A	15000	528,378
Preschool Local Entitlement	84.027A	13682	954,649
American Reinvestment and Recovery Act: Preschool Local Entitlement	84.391A	15002	395,475
Preschool Staff Development	84.173A	13431	6,912
Early Intervention	84.181	23761	264,596
Alternative Dispute Resolution	84.027A	13007	15,000
Subtotal Special Education Cluster			<u>22,064,606</u>
Title I Cluster			
American Reinvestment and Recovery Act: Title I, Part A	84.010	14329	15,473,080
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	35,006,734
Title I, Program Improvement LEA Corrective Action Resources	84.010	14957	1,021,618
Subtotal Title I Cluster			<u>51,501,432</u>
Title II, Part D Cluster			
Title II, Part A, Improving Teacher Quality	84.367	14341	3,763,069
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	308,751
American Reinvestment and Recovery Act: Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.386A	15019	409,836
American Reinvestment and Recovery Act: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.386A	15126	566,467
Subtotal Title II, Part D Cluster			<u>4,648,123</u>
Migrant Education			
American Reinvestment and Recovery Act: State Fiscal Stabilization Fund	84.394	25008	23,203,983
Reading First Supplemental Grant	84.357A	14328	88,339
Vocational Program: Voc and Applied Tech Secondary I C, Sec 131 (Carl Perkins Act)	84.048	13923	84,253
Vocational Education - Basic Grants to States	84.048A	14894	845,198
Safe & Drug Free Schools	84.186	14347	203,794
Adult Education Cluster			
Adult Basic Education and ESL	84.002A	14508	298,344
Adult Secondary Education	84.002A	13978	49,621
English Literacy and Civics Education	84.002A	14109	167,631
Subtotal Adult Education Cluster			<u>515,596</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
21st Century Cluster			
Title IV, 21st Century Learning Centers Technical Assistance	84.287	14350	\$ 30,000
Title IV, Part B, 21st Century Learning Centers	84.287	14349	<u>2,136,102</u>
Subtotal Title IV Cluster			2,166,102
Title III, Immigrant Education	84.365	14346	231,845
Title III, Limited English Proficient Children	84.365	10084	2,256,454
No Child Left Behind: Title X McKinney - Vento Homeless Children Assistance Grants	84.196	14332	41,848
American Reinvestment and Recovery Act: Education For Homeless Children and Youth	84.387	15007	71,486
Advance Placement Fee	84.330	14831	<u>210,444</u>
Subtotal: California Department of Education			<u>108,971,992</u>
Pass-Through Program From California Department of Rehabilitation			
Dept of Rehabilitation: Workability II, Transition Partnership	84.158	10006	306,409
American Reinvestment and Recovery Act: Vocational Rehabilitation Grants	84.390A	10130	<u>42,038</u>
Subtotal: California Department of Rehabilitation			<u>348,447</u>
Pass-Through Program From the City of Long Beach			
Even Start Family Literacy	84.213	14331	123,015
Long Beach Youth Academy: Camp-to-Community	84.215K	(1)	<u>211,596</u>
Subtotal: The City of Long Beach			<u>334,611</u>
<b>Total: U.S. Department of Education</b>			<u><b>117,075,017</b></u>
<b>Department of Health and Human Services:</b>			
Direct Programs			
Head Start	93.600	10016	44,851
Head Start - Early	93.600	(1)	1,885,483
American Reinvestment and Recovery Act: Early Head Start - Quality Improvement	93.709	(1)	34,340
Head Start - Basic Grant	93.600	(1)	16,463,627
American Reinvestment and Recovery Act: Head Start - Quality Improvement	93.708	(1)	480,283
Head Start - Program Improvement	93.600	(1)	29,682
Head Start - Training & Tech Assistance	93.600	(1)	<u>176,271</u>
Subtotal: Direct Programs			<u>19,114,537</u>
Pass-Through Program From California Department of Education			
Child Development: Federal Child Care	93.596	13609	1,809,020
Child Development: American Reinvestment and Recovery Act: Quality Improvement	93.713	15011	<u>1,484</u>
Subtotal: California Department of Education			<u>1,810,504</u>
Pass-Through Program From California Department of Health Services			
Medi-Cal	93.778	10013	1,117,206
Medi-Cal - Administrative	93.778	10600	<u>569,172</u>
Subtotal: California Department of Health Services			<u>1,686,378</u>
<b>Total: U.S. Department of Health and Human Services</b>			<u><b>22,611,419</b></u>

See the accompanying notes to the supplementary information.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2011**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Corporation for National and Community Service</b>			
CalServe Developmental District Partnership	94 004	13161	75,143
<b>Department of Defense</b>			
Reserve Officers Training Corps	12 000	(1)	255,399
<b>Department of Agriculture</b>			
Child Nutrition Cluster			
National School Lunch Program	10 555	13523	19,977,110
Especially Needy Breakfast	10 553	13526	5,510,221
Basic School Breakfast	10 553	13525	59,048
Federal Snack Program	10 000	(1)	572,131
Child and Adult Care Food Program	10 558	13529	624,966
Child and Adult Care Food Program	10 558	13529	109,074
Cash In Lieu of Commodities	10 558	13534	27,435
Cash In Lieu of Commodities	10 558	13534	6,067
Total: Department of Agriculture			26,886,052
<b>Total Federal Program Expenditures</b>			166,903,030
<b>Reconciliation to Federal Revenues:</b>			
Expenditure in excess of revenue related to Federal Entitlements			
Advance Placement Fee	84 330	14831	(105,615)
Medi-Cal	93 778	10013	669,512
Medi-Cal - Administrative	93 778	10600	1,360,865
American Reinvestment and Recovery Act: State Fiscal Stabilization Fund	84 394	25008	(19,312,098)
<b>Total Federal Program Expenditures</b>			<b>\$ 149,515,694</b>

(1) Federal catalog number or pass-through entity identifying number not readily available or not applicable

The District is the recipient of a Federal award program that does not result in cash receipts or disbursements.  
The District was granted \$1,979,429 of commodities under the National School Lunch Program (CFDA 10.555)

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
For the Fiscal Year Ended June 30,

	<u>(Budget) 2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Revenue</b>								
Revenue Limit Sources	424,615,770	63.5	430,079,318	61.7	\$ 413,767,747	56.7	\$ 474,287,390	62.5
Federal	68,842,681	10.3	99,876,960	14.3	111,489,599	15.3	118,738,717	15.6
State	149,734,893	22.4	160,528,568	23.0	172,298,773	23.6	152,886,609	20.1
County and Local	10,483,688	1.6	16,802,486	2.4	15,373,656	2.1	16,876,560	2.2
Other Sources					26,391,176	3.6	7,828,535	1.0
Total Revenue	<u>653,677,032</u>	<u>97.8</u>	<u>707,287,332</u>	<u>101.4</u>	<u>739,320,951</u>	<u>101.2</u>	<u>770,617,811</u>	<u>101.5</u>
<b>Expenditures</b>								
Certificated Salaries	314,226,755	47.0	347,284,923	49.8	372,675,325	51.1	380,029,339	50.1
Classified Salaries	99,301,123	14.9	101,370,718	14.5	108,092,317	14.8	115,656,009	15.2
Employee Benefits	158,045,042	23.6	157,625,864	22.6	159,699,713	21.9	157,767,199	20.8
Books and Supplies	14,437,306	2.2	15,668,356	2.2	14,789,578	2.0	20,170,391	2.7
Services and Other Operating Expenses	74,457,671	11.1	70,996,427	10.2	66,560,433	9.1	75,945,565	10.0
Capital Outlay	821,775	0.1	1,827,126	0.3	962,051	0.1	2,557,968	0.3
Other Transfers Out	155,050	-	177,922	-	124,426	-	190,283	-
Direct Support/Indirect Costs	(1,376,594)	(0.2)	(1,563,311)	(0.2)	(1,509,944)	(0.2)	(1,750,343)	(0.2)
Interfund Transfers Out	8,394,530	1.3	3,940,833	0.6	8,800,785	1.2	8,393,548	1.1
Total Expenditures	<u>668,462,658</u>	<u>100.0</u>	<u>697,328,858</u>	<u>100.0</u>	<u>730,194,684</u>	<u>100.0</u>	<u>758,959,959</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ (14,785,626)</u>	<u>(2.2)</u>	<u>\$ 9,958,474</u>	<u>1.4</u>	<u>\$ 9,126,267</u>	<u>1.2</u>	<u>\$ 11,657,852</u>	<u>1.5</u>
Ending Fund Balance	<u>\$ 95,144,224</u>	<u>14.2</u>	<u>\$ 109,929,850</u>	<u>15.8</u>	<u>\$ 99,971,376</u>	<u>13.7</u>	<u>\$ 90,845,109</u>	<u>12.0</u>
Available Reserve	<u>\$ 13,363,776</u>	<u>2.0</u>	<u>\$ 13,946,577</u>	<u>2.0</u>	<u>\$ 14,603,894</u>	<u>2.0</u>	<u>\$ 15,179,151</u>	<u>2.0</u>
Recommended Reserve Percentage		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>
Average Daily Attendance	<u>78,465</u>		<u>80,039</u>		<u>81,103</u>		<u>82,510</u>	
Total Long-Term Debt	<u>\$ 520,852,288</u>		<u>\$ 631,546,436</u>		<u>\$ 569,020,353</u>		<u>\$ 560,525,467</u>	

**IMPORTANT NOTES:**

Amounts above are those reported as General Fund in the State accounting software and do not include Special Revenue Funds reported in the General Fund

Available reserves are those amounts reserved for economic uncertainty, contingencies and any other remaining unassigned fund balance from the General Fund

Fiscal year 2011 original budget as adopted on June 20, 2011.

All percentages are of total expenditures.

Average daily attendance is based upon P-2

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2011**

<u>Charter School</u>	<u>Included in District Audit Report</u>
Emerson Charter School	Yes
New City Charter Schools	No
Constellation Charter School	No
Rosie the Riveter Charter School	No
Colegio New City Charter School	No

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2011**

There were no differences between the fund balances reported on the June 30, 2011 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedule of Average Daily Attendance (ADA)**

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**B. Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**C. Schedule of Expenditures of Federal Awards**

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule is presented on the modified accrual basis of accounting.

**D. Schedule of Financial Trends and Analysis**

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

**E. Schedule of Charter Schools**

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2011**

**NOTE 1 - PURPOSE OF SCHEDULES: (continued)**

**F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

**OTHER INDEPENDENT AUDITOR'S REPORTS**

**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***

Board of Education  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District) as of and for the year ended June 30, 2011 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2011. 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 Long Beach Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over 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 statements 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 Unified School 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, 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, Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller'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*  
VICENTI, LLOYD & STUTZMAN LLP

November 17, 2011



**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

Compliance

We have audited the compliance of Long Beach Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller'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*

VICENTI, LLOYD & STUTZMAN LLP

November 17, 2011





**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

Board of Education  
 Long Beach Unified School District  
 1515 Hughes Way  
 Long Beach, California 90810

We have audited the compliance of the Long Beach Unified School District with the types of compliance requirements described in the *2010-11 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2011. The District’s State compliance requirements are identified in the table below. Compliance with the State laws and regulations as identified below is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2010-11 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Continuation education	10	Yes
Independent study	23	Yes
Instructional time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement – receipt of funds	1	Yes
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes <sup>1</sup>
Mode of instruction	1	Yes <sup>1</sup>
Nonclassroom-based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	3	Yes <sup>1</sup>

In our opinion, we found that, for the items tested, the Long Beach Unified School District complied with the laws and regulations of the state programs referred to above in all material respects. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Long Beach Unified School District had not complied with the laws and regulations of state programs and requirements.

This report is intended solely for the information and use of management, the audit committee, Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller'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*

VICENTI, LLOYD & STUTZMAN LLP

November 17, 2011

<sup>1</sup> Testing for Emerson Charter School was done in conjunction with the District audit. Testing for all other Charter Schools was done by each school's respective auditor.

## **FINDINGS AND RECOMMENDATIONS**

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS

June 30, 2011

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified not considered  
to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified not considered  
to be material weaknesses?        Yes   X   None reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
Reported in accordance with Circular A-133,  
Section .510(a)        Yes   X   No

*Identification of major programs tested:*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster
84.027, 84.027A, 84.173A, 84.391A	Special Education Cluster
84.318, 84.386	Title II, Part D Cluster
84.394	American Reinvestment and Recovery Act: State Fiscal Stabilization Fund

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee?   X   Yes        No

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to financial statements for the fiscal year ended June 30, 2011.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2011**

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2011.

**STATUS OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS**

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2011

**FINDING: 10-1 – ASSOCIATED STUDENT BODY**  
**INTERNAL CONTROLS**

30000

**Finding:** The prior year auditor audited a sample of eight student body funds at the school sites selected for internal control testing over the following areas: cash disbursements, cash receipts, inventory, and minutes of meetings. A detailed list of the findings by school site was provided to District management. A summary of the most common internal control deficiencies we observed is listed below:

- Lack of adequate backup on cash receipts found, e.g., ticket reconciliations, prenumbered receipts, and evidence of timely deposit was not always present.
- Expenditures did not always contain proper approval, or supporting documents such as a purchase order, invoice, or evidence of student approval.

**Recommendation:** The prior year auditor recommends staff that handle student funds be reminded of the importance of sound internal controls and the need for proper documentation. Training at least annually and required use of District forms and procedures is also recommended.

**Current Status:** Implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2011

FINDING: 10-2 – MEASURE K BOND AUDIT FINDINGS

60000

**Finding:** The District's auditors performed a financial and performance audit of the Measure K bond program for the 2009-10 fiscal year. Following is a summary of the findings presented in the Measure K bond financial and performance audit reports that have relevance to the audit of the financial statements of the District.

- The District's internal audit department is not currently involved in monitoring the facilities area. Internal controls could be strengthened by involving the internal audit department in monitoring aspects of the facilities program, such as contractor selection, contract change orders, contractor payments, and other pertinent aspects of the program.
- Although the District maintains a fraud hotline, not all District employees we interviewed, nor all contractors interviewed that work on the Measure K bond program, were aware of the District's fraud hotline. Proactive efforts to publicize the fraud hotline may increase the possibility that an employee or affiliate of the District will report a potential concern through an anonymous means as provided by the District's fraud hotline.

**Recommendation:** The detailed recommendations are contained in the 2009-10 Measure K financial and performance audit reports. In summary, the auditor recommended that the internal audit department become involved in monitoring the facilities program; and that the District's fraud hotline be proactively publicized to employees and contractors working on the Measure K bond program.

**Current Status:** Substantially implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2011

**FINDING: 10-3 – INDEPENDENT STUDY**

**10000**

**Criteria:** For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent or guardian, and a certificated employee prior to the commencement of independent study (Education Code Section 51747(c)(8)).

**Condition:** At seven school sites we found that a total of twenty agreements did not contain all required signatures on or before the commencement of independent study. A total of 123 days of attendance were deemed to be unallowable.

**Cause:** Clerical oversight as District procedures were not followed to obtain all required elements of the independent study agreement prior to commencement of independent study.

**Effect:** Overstatement of independent study attendance.

**Questioned Costs:** No questioned costs as the District has removed all unallowable ADA discovered as a result of the audit on its P-2 report. 123 attendance days were overstated as tested (.97 ADA). Given 127 days in the 2009-10 P-2 attendance period and a 2009-10 base revenue limit per ADA of \$6,368, the fiscal impact of the ADA overstatement which was not claimed by the District is \$6,177.

**Context:** 34 independent study contracts tested at seven school sites.

**Recommendation:** The District should continue to monitor the procedures and policies over independent study through annual training, and through District internal audit.

**Current Status:** Implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2011

**FINDING: 10-4 – AFTER SCHOOL EDUCATION AND  
SAFETY PROGRAM ATTENDANCE REPORTING**

40000

**Criteria:** The District is required to record and semi-annually report the actual pupil attendance for the After School Education and Safety (ASES) program as defined in Education Code section 8482.3-8484. Education Code section 8484(a)(1)(B) requires the semi-annual attendance reports to reconcile to the underlying records of attendance.

**Condition:** The prior year auditor found that the attendance data reported to CDE on the 1<sup>st</sup> half 2009-10 attendance summary at 7 of 8 schools tested did not agree to the underlying records of attendance. The prior year auditor noted a total of 47 days were overstated and 14 days were understated.

**Questioned Costs:** There is no potential ASES program funding loss to the District as the ASES program attendance was greater than 85% of the ASES programs estimated students served.

**Context:** The attendance discrepancy described herein was isolated to the 8 school sites tested.

**Cause:** Clerical oversight with respect to the reconciliation of underlying attendance data and reports submitted to CDE.

**Effect:** Noncompliance with Education Code Sections 8482.3-8484.

**Recommendation:** In order to augment compliance efforts, we recommend that a monthly reconciliation be performed from the sign-in/sign-out summary sheets to the Manage Grant Attendance Report submitted semi-annually to the CDE.

**Current Status:** Implemented.