

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**LOS ANGELES COUNTY**

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

**June 30, 2008**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
June 30, 2008**

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**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
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## INDEPENDENT AUDITORS' 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, 2008, 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, 2008, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 to the financial statements, the Long Beach Unified School District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008.

Board of Education  
Long Beach Unified School District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008 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.

The required supplementary information, such as the management's discussion and analysis, budgetary comparison information and schedule of funding progress, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach Unified School District basic financial statements. The supplementary schedules, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of Long Beach Unified School District. The supplementary section including the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
VICENTI, LLOYD & STUTZMAN LLP

November 3, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

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, 2008. Please read this special report in conjunction with the financial statements following this section.

**BACKGROUND**

On June 30 of 1999, the **G**overnmental **A**ccounting **S**tandards **B**oard (GASB) adopted Statement No. 34 on the subject of Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This action culminated ten years of deliberation, debate and compromise on a series of controversial changes. The reporting model applies to every school District that issues financial statements in compliance with **G**enerally **A**ccepted **A**ccounting **P**inciples (GAAP).

The GASB 34 model calls for financial statements, note disclosures and supplementary schedules to be included with the traditional auditors report certifying that the District has fairly presented its financial condition at the fiscal year-end (June 30).

**THE INTENT OF GASB 34 CHANGES**

There has been an emerging consensus about the need for public schools to implement financial reporting changes that promote improved fiscal and operational accountability. GASB 34 is a profound change in the way that state and local governments present and explain their financial condition. For the first time, the depreciation of assets is treated on both a short-term and a long-term basis.

There are two separate and equally important aspects of accountability. Understanding these two components provides an insight into the rationale for GASB 34.

- Fiscal accountability requires that Districts demonstrate compliance with public decisions concerning the generation and spending of public monies in the short term, which is usually the annual budgetary cycle.
- Operational accountability requires that the District explain how it has met and will continue to meet its operating needs in an efficient manner well into the future.

Although GASB 34 calls for significant enhancements in financial reporting, it does not abandon the traditional public-sector approach to fund accounting and fiscal disclosure. Rather, GASB 34 has integrated many of the most popular features of traditional financial reporting into its model. The requirements in GASB 34 are also designed to make annual reports easier for the public to understand. The standards are a substantial advance in the presentation of more meaningful and useful financial information by school Districts to their public constituencies.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Financial Highlights**

1. Overall revenues and other financing sources totaled \$885.6 million or \$23.7 million less than expenditures.
2. Overall the District's net assets decreased by \$23.7 million or 5.1% over the course of the year.
3. The District decreased its overall outstanding long-term debt by \$5.45 million. The decrease from payments for the District's General Obligation Bonds and Certificates of Participation were offset by an increase to long term debt in the amount of \$3.4 million due to the net Other Postemployment Benefits (OPEB) obligation.
4. The District's unfunded liability for workers' compensation decreased from over \$38 million in 2003-2004 to \$1.7 million at the end of 2007-08.

**Overview of the Financial Statements**

This financial report is presented in three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the required 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's major funds, 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 v (also see page 57).



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**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 2007-08 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**

	<u>As of</u> <u>6/30/2007</u>	<u>As of</u> <u>6/30/2008</u>	<u>Variance</u>
Non-Capital Assets	\$ 295,120,447	\$ 276,141,110	-6.43%
Capital Assets	<u>583,400,570</u>	<u>575,915,023</u>	-1.28%
Total Assets	<u>878,521,017</u>	<u>852,056,133</u>	-3.01%
Current Liabilities	122,408,110	125,550,709	2.57%
Long-term Liabilities	<u>294,659,082</u>	<u>288,704,870</u>	-2.02%
Total Liabilities	<u>417,067,192</u>	<u>414,255,579</u>	-0.67%
Invested In Capital Assets, Net of Related Debt	306,503,962	295,398,657	-3.62%
Net Assets Legally Restricted	73,142,666	66,031,775	-9.72%
Net Assets Unrestricted	<u>81,807,197</u>	<u>76,370,122</u>	-6.65%
Total Net Assets	<u>\$ 461,453,825</u>	<u>\$ 437,800,554</u>	-5.13%

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

The District's combined net assets decreased to \$437.8 million or 5.13% during fiscal year 2007-2008. The most notable decrease in net assets was the non-capital asset variance of 6.43%. Block grant entitlements received late in 2006-2007 were expended in 2007-2008 contributing to the decrease in non-capital assets.

Both legally restricted and unrestricted net assets show a decrease between years due in part to the negotiated salary increase of 4.53% for fiscal year 2007-2008.

**Summary of Statement of Activities**

	<u>2006-07</u>	<u>2007-08</u>	<u>Variance</u>
Program Revenues:			
Charges for Services	\$ 11,182,805	\$ 10,392,722	-7.07%
Operating Grants and Contributions	298,751,362	292,088,343	-2.23%
Capital Grants and Contributions	3,691,195	386,721	-89.52%
General Revenues:			
Property Taxes	90,471,870	84,777,439	-6.29%
Federal and State Aid Unrestricted	473,412,486	480,894,037	1.58%
Interest, Investment, and Miscellaneous	<u>17,533,978</u>	<u>17,027,533</u>	-2.89%
Total Revenues	<u>895,043,696</u>	<u>885,566,795</u>	-1.06%
Instruction and Related Services	593,304,956	644,741,834	8.67%
Pupil Services	95,926,105	98,963,149	3.17%
General Administration	35,549,754	36,701,794	3.24%
Ancillary, Community, and Enterprise Activities	9,558,283	10,526,826	10.13%
Plant Services	93,431,469	103,701,274	10.99%
Debt Service	14,324,710	13,972,799	-2.46%
Other Outgo	<u>619,874</u>	<u>612,390</u>	-1.21%
Total Expenses	<u>842,715,151</u>	<u>909,220,066</u>	7.89%
Change in Net Assets	52,328,545	(23,653,271)	
Net Assets, Beginning	<u>409,125,280</u>	<u>461,453,825</u>	
Net Assets, Ending	<u>\$ 461,453,825</u>	<u>\$ 437,800,554</u>	-5.13%



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

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

As the District completed the year, its governmental funds reported combined fund balances of \$162.1 million, compared to last year's combined ending balances of \$185.8 million. The General Fund ending balance decreased \$20.8 million between years, accounting for much of the difference.

During fiscal year 2007-08, those funds where expenditures exceeded revenues were: General Fund (\$11.5 million), Adult Education (\$.4 million) Child Development (\$.4 million), Cafeteria Fund (\$1.5 million), Deferred Maintenance (\$1.4 million), Building Fund (\$5.6 million) Capital Facilities (\$4.0 million), and County School Facilities (\$1.8 million). Although the building funds had expenses in excess of revenues, the source of the payments were unspent bond or state revenues received in prior years. The Child Development Fund was the only fund that required a contribution of general fund monies to cover current expenditures.

**General Fund Budgetary Highlights (see page 57)**

Before describing major variances between general fund revised budget and actual amounts, it is important to note that the District adds all revenue and appropriations for carryovers and categorical resources to its revised budget because multi-year expenditures had been planned for the subsequent fiscal year. This common practice tends to inflate both revenues and appropriations and leads to some of the variances explained herein.

**Revenue**

- Federal Revenue...the entire amount of grants and entitlements are budgeted, even though funding periods may have extended into the subsequent fiscal year. The federal fiscal year ends September 30. Unspent revenues are deferred and made available in 2008-09 to continue program activities.

**Salary related expenditures**

- Certificated Salaries...the district has been closely monitoring staffing levels and adjusting budget based on actual salary expenditures. The revised budget also included the negotiated salary increase for 2007-08.
- Classified Salaries...the district continued its focus on controlling staffing levels and hourly assignments. This resulted in another year of decreased expenses compared to budget.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Non-Salary related expenditures**

- The district has consciously scrutinized non-salary expenditures to maintain a balanced budget. Books and supplies budgets include amounts that are being held in reserve.

**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	\$ 497,787,107	\$ 498,307,605	\$ 498,973,011	\$ 665,406	0%
Federal Sources	82,437,636	113,605,290	88,106,513	(25,498,777)	-22%
Other State Sources	170,117,290	184,506,642	179,501,154	(5,005,488)	-3%
Other Local Sources	8,232,562	20,651,653	19,749,284	(902,369)	-4%
<b>Total Revenues</b>	<u>758,574,595</u>	<u>817,071,190</u>	<u>786,329,962</u>	<u>(30,741,228)</u>	
<b>Expenditures:</b>					
Certificated Salaries	370,777,086	412,903,007	397,412,030	15,490,977	4%
Classified Salaries	109,606,451	125,211,749	120,747,061	4,464,688	4%
Employee Benefits	163,187,464	164,606,007	157,837,988	6,768,019	4%
Books & Supplies	32,130,992	87,151,333	40,718,789	46,432,544	53%
Services, Other Operating Expenses	82,218,162	84,439,501	80,893,649	3,545,852	4%
Capital Outlay	1,466,567	5,467,396	2,632,662	2,834,734	52%
Other Outgo	-	236,844	232,908	3,936	2%
Direct Support/Indirect Costs	(2,783,885)	(3,389,192)	(2,672,213)	(716,979)	21%
<b>Total Expenditures</b>	<u>756,602,837</u>	<u>876,626,645</u>	<u>797,802,874</u>	<u>78,823,771</u>	9%
<b>Excess of Revenues over Expenditures</b>	1,971,758	(59,555,455)	(11,472,912)	48,082,543	-81%
<b>Other Financing Sources (Uses):</b>					
Transfer In	-	-	700,000	700,000	
Transfer Out	(6,256,055)	(10,046,607)	(10,046,607)	-	0%
<b>Net change in fund balances</b>	<u>\$ (4,284,297)</u>	<u>\$ (69,602,062)</u>	<u>(20,819,519)</u>	<u>\$ 48,782,543</u>	
<b>Fund balances - July 1, 2007</b>			<u>100,006,776</u>		
<b>Fund balances - June 30, 2008</b>			<u>\$ 79,187,257</u>		

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Capital Assets and Long-Term Debt (See page 42)**

**Capital Assets**

By the end of fiscal year 2007-08, the District had invested \$917.6 million in a broad range of capital assets, including land, land improvements, buildings, vehicles, machinery and equipment. This amount represents an increase of \$5.84 million, or .6% from last year. Total depreciation expense for the year totaled \$14.9 million.

**Long-Term Debt**

At year-end, the District had \$306.7 million in long-term debt. General Obligation Bonds accounted for \$241.7 million, and outstanding Certificates of Participation totaled \$50.8 million. The remaining \$14.1 million represents the value of accumulated employee vacation time and the net OPEB obligation.

**Economic Factors That May Affect the Future**

The district continues to closely monitor spending within all funds. Reserves are at required levels. District staff closely watches decisions made at the State level and adjusts discretionary spending levels as necessary or allowable during the year. Multi-year plans and projections are revised frequently to stay abreast of State budgets and district priorities.

Recent budget reductions or adjustments have more significantly affected central offices and support services than school sites. Financial planning for the coming years involves a system-wide review of all staffing and spending to take into account the district-wide effects of declining enrollment as well as the impact of the state budget.

**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, 2008**

**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.

**Cafeteria Fund:** The fund is used to account for revenues received and expenditures made to operate the District's food and nutrition service program.

**FINANCIAL SECTION**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2008**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 170,244,104
Cash on hand and in banks	3,640,294
Cash in revolving fund	1,737,815
Cash collections awaiting deposit	8,366
Cash with fiscal agent	112,219
Investments	6,089,640
Accounts receivable:	
Federal and state governments	81,511,755
Local governments	553,703
Miscellaneous	8,047,709
Inventories	1,868,876
Prepaid expenditures	2,326,629
Land	112,414,135
Work in progress	9,039,260
Depreciable assets, net	<u>454,461,628</u>
<b>Total Assets</b>	<b><u>852,056,133</u></b>
 <b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	38,263,197
Deferred revenue	6,065,328
Estimated liability for open claims and IBNR's	58,249,814
Current portion of long-term liabilities:	
Certificates of participation	4,075,000
General obligation bonds	5,600,000
General obligation bonds-accrued interest	4,975,215
Compensated absences	8,322,155
Non-current portion of long-term liabilities:	
Certificates of participation	46,750,000
General obligation bonds	236,165,000
Compensated absences	2,388,037
Other postemployment benefits	<u>3,401,833</u>
<b>Total Liabilities</b>	<b><u>414,255,579</u></b>
 <b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	295,398,657
Restricted for:	
Debt service	12,754,339
Educational programs	53,277,436
Unrestricted	<u>76,370,122</u>
<b>Total Net Assets</b>	<b><u>\$ 437,800,554</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, 2008**

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	\$ 551,767,968	\$ 952,241	\$ 169,302,393	\$ 386,721	\$ (381,126,613)
Instruction - related services	92,973,866	175,858	37,772,567		(55,025,441)
Pupil services	98,963,149	6,541,070	58,457,033		(33,965,046)
Ancillary services	995,919	1,375	3,259		(991,285)
Community services	9,198,577	422	534,404		(8,663,751)
Enterprise activities	332,330	33,645	79,775		(218,910)
General administration	36,701,794	98,424	8,423,527		(28,179,843)
Plant services	103,701,274	1,467,772	14,658,313		(87,575,189)
Other outgoing	612,390	1,121,915	2,857,072		3,366,597
Debt service - interest	13,972,799				(13,972,799)
<b>Total School District</b>	<u>\$ 909,220,066</u>	<u>\$ 10,392,722</u>	<u>\$ 292,088,343</u>	<u>\$ 386,721</u>	<u>(606,352,280)</u>
<b>General Revenues</b>					
Property taxes levied for					
General purposes					65,235,073
Debt service					17,248,221
Other specific purposes					2,294,145
Federal and state aid not restricted to specific purposes					480,894,037
Interest and investment earnings					5,351,727
Miscellaneous					11,675,806
<b>Total General Revenues and Special Items</b>					<u>582,699,009</u>
Change in net assets					(23,653,271)
<b>Net Assets - Beginning of Year</b>					<u>461,453,825</u>
<b>Net Assets - End of Year</b>					<u>\$ 437,800,554</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2008

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Cash in county treasury	\$ 34,226,299	\$ 1,732,153	\$ 78,620,306	\$ 114,578,758
Cash on hand and in banks		3,640,294		3,640,294
Cash in revolving fund	406,150	1,665		407,815
Cash collections awaiting deposit		8,366		8,366
Cash with fiscal agent			112,219	112,219
Investments			6,089,640	6,089,640
Accounts receivable:				
Federal and state governments	70,890,127	7,522,982	3,098,646	81,511,755
Local governments	391,334		162,369	553,703
Miscellaneous	4,090,179	12,637	808,457	4,911,273
Due from other funds	16,354,947	336,820	4,813,764	21,505,531
Inventories	683,783	1,185,093		1,868,876
Prepaid expenditures	354,066	48,816		402,882
<b>Total Assets</b>	<b>\$ 127,396,885</b>	<b>\$ 14,488,826</b>	<b>\$ 93,705,401</b>	<b>\$ 235,591,112</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 30,252,454	\$ 995,321	\$ 4,462,886	\$ 35,710,661
Due to other funds	11,923,160	10,697,008	8,848,657	31,468,825
Deferred revenue	6,034,014		218,632	6,252,646
<b>Total Liabilities</b>	<b>48,209,628</b>	<b>11,692,329</b>	<b>13,530,175</b>	<b>73,432,132</b>
<b>Fund Balances</b>				
Restricted for debt service			12,754,339	12,754,339
Reserved for special purposes	1,443,999	1,235,574		2,679,573
Restricted for special purposes	51,631,032		1,646,404	53,277,436
Designated for:				
Economic uncertainties	16,152,306			16,152,306
Special purposes	5,072,912			5,072,912
Contingencies	4,887,008	1,560,923	65,774,483	72,222,414
<b>Total Fund Balances</b>	<b>79,187,257</b>	<b>2,796,497</b>	<b>80,175,226</b>	<b>162,158,980</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 127,396,885</b>	<b>\$ 14,488,826</b>	<b>\$ 93,705,401</b>	<b>\$ 235,591,112</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, 2008**

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

Total fund balance - governmental funds		\$ 162,158,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$917,646,004 and the accumulated depreciation is \$341,730,981. The net value of capital assets is -		575,915,023
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.		2,111,067
The accrued interest for general obligation bonds is -		(4,975,215)
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.		9,292,724
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	\$(241,765,000)	
Certificates of Participation	(50,825,000)	
Compensated Absences Payable	(10,710,192)	
Net Other Postemployment Benefits Obligation	<u>(3,401,833)</u>	
		<u>(306,702,025)</u>
Total net assets - governmental activities		\$ <u>437,800,554</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, 2008**

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Revenue limit sources:				
State apportionments	\$ 430,688,584	\$	\$	\$ 430,688,584
Charter schools general purpose entitlement	2,941,206			2,941,206
Local sources	65,343,221		17,203,671	82,546,892
Total revenue limit sources	498,973,011		17,203,671	516,176,682
Federal sources	88,106,513	23,409,751	19,571,545	131,087,809
Other state sources	179,501,154	2,153,375	19,074,501	200,729,030
Other local sources	19,749,284	7,466,499	10,170,166	37,385,949
<b>Total Revenues</b>	<b>786,329,962</b>	<b>33,029,625</b>	<b>66,019,883</b>	<b>885,379,470</b>
<b>Expenditures</b>				
Instruction	512,731,157		23,259,954	535,991,111
Instruction - related services	86,557,421		5,783,882	92,341,303
Pupil services	63,526,934	31,085,310	4,164,903	98,777,147
Ancillary services	992,922			992,922
Community services	9,125,987		1,006	9,126,993
Enterprise	10,902	304,835		315,737
General administration	39,089,695	309,336	1,198,802	40,597,833
Plant services	85,534,948	2,899,566	18,445,155	106,879,669
Other outgo	232,908		6,310,453	6,543,361
Debt service			17,418,386	17,418,386
<b>Total Expenditures</b>	<b>797,802,874</b>	<b>34,599,047</b>	<b>76,582,541</b>	<b>908,984,462</b>
Deficiency of revenues over expenditures	(11,472,912)	(1,569,422)	(10,562,658)	(23,604,992)
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	700,000	329,456	13,571,685	14,601,141
Interfund transfers out	(10,046,607)		(4,554,534)	(14,601,141)
<b>Total Other Financing Sources (Uses)</b>	<b>(9,346,607)</b>	<b>329,456</b>	<b>9,017,151</b>	<b>-</b>
Net changes in fund balances	(20,819,519)	(1,239,966)	(1,545,507)	(23,604,992)
<b>Fund Balances - Beginning of Year</b>	<b>100,006,776</b>	<b>4,036,463</b>	<b>81,720,733</b>	<b>185,763,972</b>
<b>Fund Balances - End of Year</b>	<b>\$ 79,187,257</b>	<b>\$ 2,796,497</b>	<b>\$ 80,175,226</b>	<b>\$ 162,158,980</b>

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 June 30, 2008**

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

Net change in fund balances-total governmental funds \$(23,604,992)

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	\$ 7,406,905	
Depreciation expense	<u>(14,892,452)</u>	(7,485,547)

The District utilizes Certificates of Participation (COPs) as a mechanism for providing capital to purchase equipment, finance construction projects, or refinance existing leases. Repayments of certificates of participation are reported as expenses in the governmental funds but are reported as a reduction of a liability in the government-wide statements. 3,920,000

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:

Repayment of bond principal	5,350,000	
Net decrease in accrued interest expense	<u>106,556</u>	
Change in long-term bond liability		5,456,556

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 increased by \$420,704.32. (420,704)

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: 187,321

Internal service funds are used by the District to manage the district's Self-Insurance Fund. The net income of \$1,695,928 is reported with governmental activities. 1,695,928

Postemployment benefits other than pensions (OPEB) (3,401,833)

Change in net assets of governmental activities \$(23,653,271)

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS

PROPRIETARY FUNDS

June 30, 2008

	<u>Governmental Activities</u>
	<u>Self Insurance Funds</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 55,665,346
Cash in revolving fund	1,330,000
Accounts receivable:	
Miscellaneous	3,136,436
Due from other funds	<u>10,996,967</u>
<b>Total Assets</b>	<u>71,128,749</u>
<b><u>Liabilities</u></b>	
Accounts payable	2,552,538
Due to other funds	1,033,673
Estimated liability for open claims and IBNRs	<u>58,249,814</u>
<b>Total Liabilities</b>	<u>61,836,025</u>
<b><u>Net Assets</u></b>	
Unrestricted	<u>9,292,724</u>
<b>Total Net Assets</b>	<u>\$ 9,292,724</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, 2008**

	<b>Governmental Activities</b>
	<b>Self Insurance Funds</b>
<b>Operating Revenues</b>	
Self-insurance premiums	\$ 77,184,875
<b>Total Operating Revenues</b>	77,184,875
<b>Operating Expenditures</b>	
Salaries	552,537
Benefits	201,722
Other supplies	112,209
Payments for health and welfare claims	76,356,561
<b>Total Operating Expenditures</b>	77,223,029
Operating loss	(38,154)
<b>Non-Operating Revenues</b>	
Other local revenues	
Interest income	1,734,082
<b>Total Non-Operating Revenues</b>	1,734,082
Change in net assets	1,695,928
<b>Net Assets - Beginning of Year</b>	7,596,796
<b>Net Assets - End of Year</b>	\$ 9,292,724

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, 2008**

	<b>Governmental Activities</b>
	<b>Self Insurance Funds</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums and other revenues	\$ 86,803,749
Cash paid for claims and operating expenses	<u>(71,750,122)</u>
Net cash provided by operating activities	15,053,627
<b>Cash Flows from Investing Activities and Other Sources</b>	
Interest income	<u>1,798,259</u>
Net cash provided by investing activities and other sources	<u>1,798,259</u>
Net increase in cash and cash equivalents	16,851,886
Cash and cash equivalents - July 1, 2007	<u>40,143,460</u>
Cash and cash equivalents - June 30, 2008	<u>\$ 56,995,346</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</b>	
<b>Operating Loss</b>	<u>\$ (38,154)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	1,534,935
Decrease in due from other funds	8,084,464
Decrease in prepaid expense	230,516
Increase in accounts payable	409,862
(Decrease) in due to other funds	(1,038,193)
Increase in estimated claims	<u>5,870,197</u>
Total adjustments	<u>15,091,781</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 15,053,627</u>
Cash balances at June 30, 2008 consisted of the following:	
Cash in county treasury	\$ 55,665,346
Cash in revolving fund	<u>1,330,000</u>
Total cash balances at June 30, 2008	<u>\$ 56,995,346</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS

June 30, 2008

	<u>Associated Student Body Funds</u>
<b><u>Assets</u></b>	
Cash on hand and in banks	\$ 5,232,672
Accounts receivable:	
Miscellaneous	16,092
Stores inventory	32,549
Equipment	<u>2,815</u>
<b>Total Assets</b>	<u>5,284,128</u>
<b><u>Liabilities</u></b>	
Accounts payable	222,269
Funds held in trust	<u>3,226,975</u>
<b>Total Liabilities</b>	<u>3,449,244</u>
<b><u>Net Assets</u></b>	
Unrestricted	<u>1,834,884</u>
<b>Total Net Assets</b>	<u>\$ 1,834,884</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, 2008

	<u>Associated Student Body Funds</u>
<b>Additions</b>	
Revenue from local sources	<u>\$ 4,620,292</u>
<b>Total Additions</b>	<u>4,620,292</u>
<b>Deductions</b>	
Other expenses	<u>4,620,720</u>
<b>Total Deductions</b>	<u>4,620,720</u>
Changes in net assets	(428)
<b>Net Assets - Beginning of Year</b>	<u>1,835,312</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,834,884</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, 2008

### **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 School 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, 2008**

**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, 2008**

**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 Statements 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, 2008**

**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.

**Cafeteria Fund** – is used to account for revenues received and expenditures made to operate the District's food and nutrition service program.

**GOVERNMENTAL FUNDS – NON-MAJOR**

**Debt Service Fund** – used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

1. Bond Interest and Redemption Fund – used to finance and account for the payment of interest and principal on bonded debt.

**Special Revenue Funds** – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

1. Adult Education Fund – used to account for resources committed to adult education programs offered by the District.
2. Child Development Fund – used to account for resources committed to preschool children programs.
3. Deferred Maintenance Fund – used for the purpose of major repair or replacement of District property.
4. Special Reserve Fund for Other Than Capital Outlay Projects – used primarily to provide for the accumulation of general fund monies for general operating purposes other than capital outlay. Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

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

**Capital Projects Funds** – used to account for the acquisition and/or construction of major governmental general fixed assets.

1. Capital Facilities Fund – used to account for resources received from developer impact fees and to account for the activity related to Certificates of Participation (COP) issued.
2. Special Reserve Fund – used to account for the resources received from redevelopment agencies and other funds used for capital facility projects.
3. State School Building Lease-Purchase Fund – used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17700-17780).
4. County School Facilities Fund – used to separately account for State apportionments as provided by SB 50 and Proposition 1A bond money.
5. Building Fund – used to account for the proceeds of Measure A – General Obligation Bonds.

**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 related to other postemployment benefits.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

**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 36 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 cash in the County Treasury amounting to \$1,126,951 on June 30, 2008, which represents withholdings payable. These amounts were included as part of the General Fund activity. 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.

**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 fund follows 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

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. 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.

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, 2008, the inventory for supplies is \$683,783 and the inventory for food is \$1,185,093.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2008, 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.



LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

C. BASIS OF ACCOUNTING: (continued)

5. 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.

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

6. 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

7. 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.

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.

8. 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.

9. Fund Balance Reservations and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriate for expenditure. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

10. 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 or laws or regulations of other governments.

11. 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.

12. 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

13. 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 \$8,100,000 for STRS.

14. 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.

15. 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, such as investment income.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

16. 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.

**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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

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.

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. 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.

Charter Schools – Constellation, New City, Rosie the Riveter and Mattie Academy 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, 2008 for these schools is presented on the following page.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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>Mattie Academy</u>
Total Assets	\$ 3,063,135	\$ 3,132,449	\$ 376,680	\$ 985,037
Total Liabilities	<u>1,838,154</u>	<u>2,627,162</u>	<u>271,972</u>	<u>1,092,508</u>
Fund Balance	<u>\$ 1,224,981</u>	<u>\$ 505,287</u>	<u>\$ 104,708</u>	<u>\$ (107,471)</u>
Total Revenues	\$ 1,417,189	\$ 4,123,840	\$ 603,877	\$ 1,835,736
Total Expenditures	<u>1,402,261</u>	<u>3,787,006</u>	<u>578,227</u>	<u>1,943,208</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ 14,928</u>	<u>\$ 336,834</u>	<u>\$ 25,650</u>	<u>\$ (107,472)</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 supplementary section.

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, 2008**

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

**A. 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, 2008, \$16,364,328 of the District's bank balance of \$17,075,527 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$13,392,857
Uninsured and uncollateralized	<u>2,971,471</u>
Total	<u>\$16,364,328</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, 2008, as provided by the pool sponsor, was \$158,440,779.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.



LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)**

**B. Investments**

As of June 30, 2008, the District had the following investments:

<b><u>Investment</u></b>	<b><u>Maturities</u></b>	<b><u>Fair Value</u></b>
AIG Matched Funding Corp.	6/1/2024	\$ 6,089,640

This investment is in a Guaranteed Investment Contract (GIC) and is not required to identify ratings.

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

**Credit Risk**

Government Code Sections 16430 and 53601 allows governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**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, 2008 are temporary loans and are detailed as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
General Fund	\$ 16,354,947	\$ 11,923,160
Cafeteria Fund	336,820	10,697,008
<b>Non-Major Funds:</b>		
Special Revenue Funds:		
Adult Education Fund	45,511	450,047
Child Development Fund	509,559	3,917,976
Deferred Maintenance Fund	3,600,573	419,681
Capital Projects Funds:		
Building Fund		4,060,953
Special Reserve for Capital Outlay	658,121	
<b>Proprietary Fund:</b>		
Self-Insurance Fund	<u>10,996,967</u>	<u>1,033,673</u>
	<u>\$ 32,502,498</u>	<u>\$ 32,502,498</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 2007-08 fiscal year are as follows:

Transfer from the General Fund to the Adult Education Fund for Lottery Allocations	\$ 41,727
Transfer from the General Fund to the Child Development Fund to cover expenses for Headstart and Child Development programs	489,580
Transfer from the Building Fund to the Deferred Maintenance Fund for estimated match necessary to qualify for State funds	3,600,573
Transfer from the General Fund and Building Fund to the Capital Facilities Fund for Certificates of Participation principal and interest payments	5,840,362
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for future capital outlay projects	3,599,443
Transfer from the Special Reserve Fund for Other Than Capital Outlay Projects to General Fund for Server Purchase	700,000
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement and to cover expenses for non student food	<u>329,456</u>
	<u>\$ 14,601,141</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 5 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED:**

The following amounts were reserved by the Board of Education for the special purposes below:

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Total</b>
Cash in revolving fund	\$ 406,150	\$ 1,665	\$ 407,815
Inventory	683,783	1,185,093	1,868,876
Prepaid Expenses	354,066	48,816	402,882
<b>Total</b>	<b>\$1,443,999</b>	<b>\$1,235,574</b>	<b>\$2,679,573</b>

The following ending balances were legally restricted as to use:

**Major Funds:**

General Fund:

Pregnant Minors	\$ 23,454
Medi-Cal Billing Option	710,637
Physical Education Teacher Incentive	90,112
CalEnglish Language Acquisition Program	1,440,741
California Public School Library At of 1998	31,991
Lottery: Instructional Materials	2,160,790
ROC/P Apportionment	2,157,899
Career Technical Ed Equipment and Supplies	155,706
School Safety and Violence Prevention, Grades 8-12	388,630
Arts and Music Block Grant	2,187,753
Arts, Music, and Physical Education Supplies and Equipment	4,890,180
CAHSEE Intensive Instruction and Services	1,204,608
CAHSEE Individual Intervention Materials	68,302
Supplemental School Counseling Program	2,150,433
Economic Impact Aid	2,585,192
Limited English Proficiency	1,177,946
Education Technology: Digital High School Staff Development and Support	23,329
Gifted and Talented Education	277,708
Instructional Materials Realignment Program	8,931,832
Instructional Materials – ELS	448,053
Instructional Materials – Williams Case	572,263
California Peer Assistance and Review Program for Teacher	766,332

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 5 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED: (continued)**

**Major Funds: (continued)**

General Fund: (continued)	
Staff Development: Administrator Training	8,550
Tenth Grade Counseling	50,799
Pupil Retention Block Grant	52,881
Teacher Credentialing Block Grant	1,189,384
Professional Development Block Grant	905,106
Targeted Instructional Improvement Block Grant	100,000
School and Library Improvement Block Grant	2,045,459
Discretionary Block Grant – School Site	2,111,441
Discretionary Block Grant – School District	1,326,151
Instructional Materials, Library Materials and Education Technology	560,537
Quality Education Investment Act	250,260
Routine Restricted Maintenance	8,779,019
Donor Restricted Gifts	<u>1,807,554</u>
	<u>\$51,631,032</u>

**Non-Major Funds:**

Child Development Fund:	
Child Nutrition Program	\$ 70,547
Donor Restricted Gifts	<u>23,175</u>
	<u>\$ 93,722</u>

Adult Education Fund:	
Adult Education Apportionment	\$ 1,432,298
State Lottery Prop 20	55,364
Donor Restricted Gifts	56,605
Discretionary Block Grant	<u>8,415</u>
	<u>\$ 1,552,682</u>

Total Non-Major Funds \$ 1,646,404

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 5 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED: (continued)**

The following amounts were designated by the Board of Education for the special purpose below:

**Major Funds:**

General Fund:	
Economic Uncertainties	\$16,152,306
Designated for Site Carryover	5,072,912
Contingencies	<u>4,887,008</u>
Total General Fund	<u>26,112,226</u>
Cafeteria Fund:	
Contingencies and Special Purposes	<u>1,560,923</u>
Total Major Funds	<u>\$27,673,149</u>

**Non-Major Funds:**

Contingencies and Special Purposes	
Adult Education Fund	\$ 2,127
Deferred Maintenance Fund	19,035,039
Building Fund	15,475,467
Capital Facilities Fund	10,521,817
Special Reserve Fund	12,145,289
State School Building Fund	25,476
County School Facilities Fund	940,844
Special Reserve Fund for Other Than Capital Outlay Projects	<u>7,628,424</u>
Total Non-Major Funds	<u>\$65,774,483</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 6 - 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:

<b><u>Fiscal Year</u></b>	<b><u>Lease Payment</u></b>
2008-09	\$2,752,332
2009-10	886,263
2010-11	579,196
2011-12	403,606
2012-13	<u>119,619</u>
Total	<u>\$4,741,016</u>

2007-08 expenditures for operating leases is approximately \$2,826,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 7 - CERTIFICATES OF PARTICIPATION:**

The District has entered into a long-term lease agreement to provide for the financing of the acquisition, construction, installation and modernization of capital improvements of the District. A portion of the proceeds was used to redeem previously issued certificates of participation.

The agreement dated November 1, 2001, is between the Long Beach Unified School District as the "lessee" and the California School Facilities Financing Corporation as the "lessor" or "corporation". The California School Facilities Financing Corporation is a legally separate entity which was formed for the sole purpose of constructing and equipping school facilities and acquiring other fixed assets and then leasing such items to the District.

The Corporation's funds for acquiring these items were generated by the issuance of \$74,010,000 in Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments. These funds are not available for general purpose expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)**

Lease Payments - Lease payments are required to be made by the District under the lease agreement for the use and possession of the facilities. Interest payments will be quarterly on the first day of March, June, September and December commencing March 1, 2002. Principal payments are due on June 1 commencing June 1, 2002 and terminating June 1, 2024. The interest rate is a variable rate.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. The trustee will pay from the lease payment fund the required principal and interest payments.

The outstanding balance at June 30, 2008 is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,075,000	\$ 1,621,318	\$ 5,696,318
2010	4,255,000	1,491,325	5,746,325
2011	4,425,000	1,355,591	5,780,591
2012	4,620,000	1,214,433	5,834,433
2013	3,235,000	1,067,055	4,302,055
2014-2018	18,120,000	3,706,463	21,826,463
2019-2023	9,900,000	1,318,907	11,218,907
2024	<u>2,195,000</u>	<u>70,021</u>	<u>2,265,021</u>
	<u>\$ 50,825,000</u>	<u>\$ 11,845,113</u>	<u>\$ 62,670,113</u>



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 8 - GENERAL OBLIGATION BONDS:**

**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 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) and Series F \$50,000,000 (June 1, 2004) of general obligations bonds. 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.

**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) and February 1, 2007 (Series E and F). 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. The bonds bear an interest rate ranging from 4.5% to 7.5% (Series A), 5.0% to 8.0% (Series B), 4.3% to 7.3% (Series C), 4.125% to 6.0% (Series D), 2.0% to 5.0% (Series E) and 3.5% to 5.375% (Series F).

The outstanding bonded debt of Long Beach Unified School District at June 30, 2008 is:

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2007	Issued Current Year	Principal Payment Current Year	Outstanding June 30, 2008
Series A	07/15/99	4.5%-7.5%	8/1/2029	\$ 25,000,000	\$ 22,075,000	\$	\$ 550,000	\$ 21,525,000
Series B	07/01/00	5.0%-8.0%	8/1/2029	30,000,000	27,085,000		620,000	26,465,000
Series C	08/01/01	4.3%-7.3%	8/1/2031	60,000,000	54,780,000		1,190,000	53,590,000
Series D	05/01/02	4.125%-6.0%	8/1/2031	40,000,000	37,510,000		830,000	36,680,000
Series E	05/01/03	2.0%-5.0%	8/1/2032	60,000,000	56,940,000		1,250,000	55,690,000
Series F	06/01/04	3.50%-5.375%	8/1/2033	50,000,000	48,725,000		910,000	47,815,000
				<u>\$ 265,000,000</u>	<u>\$ 247,115,000</u>	<u>\$ -</u>	<u>\$ 5,350,000</u>	<u>\$ 241,765,000</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 8 - GENERAL OBLIGATION BONDS: (continued)**

**A. Series A**

The annual requirements to amortize Series A bond payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 575,000	\$ 1,090,216	\$ 1,665,216
2010	600,000	1,063,479	1,663,479
2011	620,000	1,035,109	1,655,109
2012	650,000	1,004,939	1,654,939
2013	680,000	972,679	1,652,679
2014-2018	3,905,000	4,309,394	8,214,394
2019-2023	5,010,000	3,171,278	8,181,278
2024-2028	6,430,000	1,679,475	8,109,475
2029-2030	3,055,000	162,356	3,217,356
	<u>\$ 21,525,000</u>	<u>\$ 14,488,925</u>	<u>\$ 36,013,925</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 8 - GENERAL OBLIGATION BONDS: (continued)**

**B. Series B**

The annual requirements to amortize Series B bond payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 660,000	\$ 1,405,890	\$ 2,065,890
2010	690,000	1,362,240	2,052,240
2011	725,000	1,326,865	2,051,865
2012	760,000	1,289,740	2,049,740
2013	800,000	1,250,740	2,050,740
2014-2018	4,680,000	5,590,688	10,270,688
2019-2023	6,125,000	4,180,310	10,305,310
2024-2028	8,095,000	2,243,313	10,338,313
2029-2030	3,930,000	219,175	4,149,175
	<u>\$ 26,465,000</u>	<u>\$ 18,868,961</u>	<u>\$ 45,333,961</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

C. Series C

The annual requirements to amortize Series C bond payable, outstanding as of June 30, 2008, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,240,000	\$ 2,649,835	\$ 3,889,835
2010	1,300,000	2,589,510	3,889,510
2011	1,355,000	2,528,148	3,883,148
2012	1,415,000	2,465,823	3,880,823
2013	1,475,000	2,402,273	3,877,273
2014-2018	8,440,000	10,864,371	19,304,371
2019-2023	10,725,000	8,393,200	19,118,200
2024-2028	13,770,000	5,345,938	19,115,938
2029-2032	<u>13,870,000</u>	<u>1,467,288</u>	<u>15,337,288</u>
	<u>\$ 53,590,000</u>	<u>\$ 38,706,386</u>	<u>\$ 92,296,386</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 8 - GENERAL OBLIGATION BONDS: (continued)**

**D. Series D**

The annual requirements to amortize Series D bond payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 870,000	\$ 1,798,988	\$ 2,668,988
2010	915,000	1,750,013	2,665,013
2011	955,000	1,703,263	2,658,263
2012	995,000	1,654,513	2,649,513
2013	1,030,000	1,608,394	2,638,394
2014-2018	5,850,000	7,268,450	13,118,450
2019-2023	7,340,000	5,634,250	12,974,250
2024-2028	9,375,000	3,555,625	12,930,625
2029-2032	9,350,000	964,250	10,314,250
	<u>\$ 36,680,000</u>	<u>\$ 25,937,746</u>	<u>\$ 62,617,746</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

E. Series E

The annual requirements to amortize Series E bond payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 1,300,000	\$ 2,490,363	\$ 3,790,363
2010	1,355,000	2,452,975	3,807,975
2011	1,410,000	2,411,500	3,821,500
2012	1,465,000	2,364,713	3,829,713
2013	1,525,000	2,312,388	3,837,388
2014-2018	8,515,000	10,638,838	19,153,838
2019-2023	10,460,000	8,589,050	19,049,050
2024-2028	13,105,000	5,668,250	18,773,250
2029-2033	<u>16,555,000</u>	<u>2,044,000</u>	<u>18,599,000</u>
	<u>\$ 55,690,000</u>	<u>\$ 38,972,077</u>	<u>\$ 94,662,077</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 8 - GENERAL OBLIGATION BONDS: (continued)**

**F. Series F**

The annual requirements to amortize Series F bond payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 955,000	\$ 2,374,175	\$ 3,329,175
2010	995,000	2,330,200	3,325,200
2011	1,040,000	2,279,325	3,319,325
2012	1,090,000	2,230,163	3,320,163
2013	1,135,000	2,178,625	3,313,625
2014-2018	6,510,000	9,993,775	16,503,775
2019-2023	8,275,000	8,123,144	16,398,144
2024-2028	10,680,000	5,676,900	16,356,900
2029-2033	13,890,000	2,620,000	16,510,000
2034	3,245,000	81,125	3,326,125
	<u>\$ 47,815,000</u>	<u>\$ 37,887,432</u>	<u>\$ 85,702,432</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**NOTE 9 - OTHER ACCOUNTING DISCLOSURES:**

**A. Long-term debt** - A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due in One Year
Compensated Absences	\$ 10,289,488	\$ 420,704	\$	\$ 10,710,192	\$ 8,322,155
Certificates of participation	54,745,000		3,920,000	50,825,000	4,075,000
Net OPEB Obligation		3,401,833		3,401,833	
General obligation bonds	<u>247,115,000</u>	<u></u>	<u>5,350,000</u>	<u>241,765,000</u>	<u>5,600,000</u>
<b>Totals</b>	<b><u>\$ 312,149,488</u></b>	<b><u>\$ 3,822,537</u></b>	<b><u>\$ 9,270,000</u></b>	<b><u>\$ 306,702,025</u></b>	<b><u>\$ 17,997,155</u></b>

**B. Capital assets** - A schedule of changes in general fixed assets for the year ended June 30, 2008, is shown below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 112,026,634	\$ 387,501	\$	\$ 112,414,135
Work In Progress	<u>8,084,520</u>	<u>1,222,289</u>	<u>267,549</u>	<u>9,039,260</u>
Total capital assets not being depreciated:	<u>120,111,154</u>	<u>1,609,790</u>	<u>267,549</u>	<u>121,453,395</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	16,592,106	2,269,506		18,861,612
Buildings and Improvements	696,862,262	2,455,850		699,318,112
Books and Media In Library	19,244,391		469,998	18,774,393
Vehicles	10,689,644	331,573	250,467	10,770,750
Machinery and Equipment	<u>48,306,390</u>	<u>1,007,735</u>	<u>846,383</u>	<u>48,467,742</u>
Total capital assets being depreciated	<u>791,694,793</u>	<u>6,064,664</u>	<u>1,566,848</u>	<u>796,192,609</u>
<b>Accumulated depreciation for:</b>				
Land Improvements	13,063,113	403,810		13,466,923
Buildings and Improvements	243,146,364	13,009,206		256,155,570
Books and Media In Library	16,946,464	594,452	469,998	17,070,918
Vehicles	9,744,523	278,020	250,467	9,772,076
Machinery and Equipment	<u>45,504,913</u>	<u>606,964</u>	<u>846,383</u>	<u>45,265,494</u>
Total accumulated depreciation	<u>328,405,377</u>	<u>14,892,452</u>	<u>1,566,848</u>	<u>341,730,981</u>
Total capital assets being depreciated, net	<u>463,289,416</u>	<u>(8,827,788)</u>	<u>-</u>	<u>454,461,628</u>
Governmental activities capital assets, net	<u>\$ 583,400,570</u>	<u>\$ (7,217,998)</u>	<u>\$ 267,549</u>	<u>\$ 575,915,023</u>



# LONG BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 10 - INTERNAL SERVICE FUND(S):

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 for a maximum of \$100,000, 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 up to \$1,000,000. 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 over \$250,000.

The District is self insured for the first \$500,000 of claims related to workers' compensation. The District carries excess insurance for claims over this amount. The District has estimated a receivable of \$2,195,886 as of June 30, 2008 related to claims in excess of the \$500,000.

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 not discounted, 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, 2008**

**NOTE 10 - INTERNAL SERVICE FUND(S): (continued)**

At June 30, 2008, 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 amount of liability is estimated at \$58,249,814. The Internal Service Fund currently has a combined positive fund balance of \$9,292,724. This is largely due to a transfer of funds for other postemployment benefits. 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	\$ 40,103,075	\$ 15,525,538	\$ 10,244,481	\$ 45,384,132
Deductible Insurance	1,553,536	(194,594)	(23,271)	1,382,213
Health, Vision and Dental	<u>10,723,006</u>	<u>45,931,186</u>	<u>45,170,723</u>	<u>11,483,469</u>
	<u>\$ 52,379,617</u>	<u>\$ 61,262,130</u>	<u>\$ 55,391,933</u>	<u>\$ 58,249,814</u>

**NOTE 11 - 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, 2008**

**NOTE 11 - 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 2007-08 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 2007-08 was 9.306% 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, 2008**

**NOTE 11 - 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
2006	\$30,210,195	100%	\$10,059,148	100%
2007	31,801,480	100%	10,439,147	100%
2008	33,405,183	100%	11,294,450	100%

**NOTE 12 - ALTERNATE PENSION PLANS:**

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

**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	357
Terminated plan members entitled to but not yet receiving benefits	22,604
Active plan members	2,292
 Number of participating employers	 1
 Contributions by Employee for the year	 \$1,389,060
Contributions by Employer for the year	\$ 182,778

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 12 - 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. Currently, the District is negotiating to have participating employees reinstated in PERS. LBSBMA covered pension benefits for employees that elected to participate in the plan. Employees were eligible for the plan if they were certain non-certificated executive, administrative, management, and related services furnished within the business, human resources and instruction departments. The plan was established under IRS Code 401(a).

**Plan Description and Contribution Information**

Retirees and beneficiaries receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	109
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.

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Assets:			
Cash and cash equivalents	\$ (21,078)	\$	\$
Accounts receivable	448		
Investments, at fair value:			
U.S. Government obligations	<u>4,885,717</u>	<u>21,858,890</u>	<u>2,665,989</u>
Total Assets	<u>\$ 4,865,087</u>	<u>\$21,858,890</u>	<u>\$ 2,665,989</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 12 - ALTERNATE PENSION PLANS: (continued)**

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Additions			
Contributions:			
Employer	\$	\$	\$ 182,778
Plan members			1,389,060
Total Contributions	<u>-</u>	<u>-</u>	<u>1,571,838</u>
Investment earnings:			
Net increase in fair value of investments	802,435	266,913	(145,841)
Interest and dividends	<u>15,209</u>	<u>771,233</u>	<u>63,223</u>
Net Investment Earnings	<u>817,644</u>	<u>1,038,146</u>	<u>(82,618)</u>
 Total Additions	 <u>817,644</u>	 <u>1,038,146</u>	 <u>1,489,220</u>
 Deductions:			
Benefits	249,758	520,615	31,918
Administrative expenses	<u>18,161</u>	<u>156,535</u>	<u>10,829</u>
Total Deductions	<u>267,919</u>	<u>677,150</u>	<u>42,747</u>
 Change in net assets	 549,725	 360,996	 1,446,473
 Net assets - beginning of year	 <u>4,315,362</u>	 <u>21,497,894</u>	 <u>1,219,516</u>
Net assets - end of year	<u>\$ 4,865,087</u>	<u>\$21,858,890</u>	<u>\$ 2,665,989</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 13 – POSTEMPLOYMENT - HEALTH BENEFITS:**

**Plan Description**

The District administers a single-employer defined benefit health care plan. At June 30, 2008, there were 1,144 retirees receiving medical (health) benefits under the District health plans. 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 \$8,193,671 for the health benefits of 637 retirees that qualified for this coverage during 2007-08. The other 507 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2008, the District collected \$3,440,558 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 contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2008, the District contributed \$8,193,671 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 following table 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, 2008**

**NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)**

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

Annual required contribution (ARC)	\$11,595,504
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	11,595,504
Contributions made	<u>(8,193,671)</u>
Change in net OPEB obligation	3,401,833
Net OPEB obligation - Beginning of Year <sup>(1)</sup>	<u>-</u>
Net OPEB obligation - End of Year	<u><u>\$ 3,401,833</u></u>

<sup>(1)</sup> GASB Statement No. 45 provides for prospective implementation, therefore the beginning net OPEB obligation is set at zero as of the beginning of the initial year.

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2008 was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2008	\$11,595,504	71%	\$3,401,833

Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.



## LONG BEACH UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

#### NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)

##### **Funding Status and Funding Progress**

As of July 1, 2007, 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 \$96,257,045. The covered payroll (annual payroll of active employees covered by the plan) was \$505,693,908, and the ratio of the UAAL to the covered payroll was 19%. 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, 2008, the OPEB portion of the self-insurance fund's designated balance was \$7,728,922.

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 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)**

**Actuarial Methods and Assumptions (continued)**

In the July 1, 2007 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 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates included a 6.0 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. The remaining amortization period at June 30, 2008, was twenty-nine years.

**NOTE 14 - 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 1,100 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 14 - JOINT POWERS AGREEMENTS: (continued)**

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 2007-08 the District received local revenue in the amount of \$214,612 from the Authority.

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

	ASCIP 6/30/2007 <u>(Audited)</u> (in thousands)	SELF 6/30/2007 <u>(Audited)</u> (in thousands)
Total assets	\$ 183,291	\$ 215,903
Total liabilities	<u>118,425</u>	<u>185,793</u>
Fund equity	\$ <u>64,866</u>	\$ <u>30,110</u>
Total revenues	\$ 162,002	\$ 47,931
Total expenditures	<u>135,225</u>	<u>45,867</u>
Net increase in fund equity	\$ <u>26,777</u>	\$ <u>2,064</u>

**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 2007-08 fiscal year and the amount remaining to be transferred is \$1,377,748. This is not reflected in the government wide statements since it is within the funds of the District.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

**A. Contingent Liabilities (continued)**

**Redevelopment Agency Fees**

The District is currently analyzing the status of its agreements with Redevelopment Agencies in the area. Based on legislation, known as AB 1290, certain limitations exist on taxing agencies, and instead of negotiating the allocation of tax proceeds, a statutory formula was established to distribute proceeds from taxes. Education Code 42238(h)(6) states that payments may be subject to an offset of 43.3% of the amount received for redevelopment, to be applied as property tax receipts in calculating the offset for property taxes in the revenue limit calculation. If, after a thorough review of these revenues, it is determined that this regulation applies, the district may be required to transfer 43.3% of fees collected to the general fund and include these amounts as an offset, which will reduce state apportionments. Therefore, there may be an impact to the Special Reserve Fund balances that are currently being held for capital facilities purposes. If this was applicable for 2007-08 the amount of the transfer would be approximately \$919,000. Due to the uncertainty of the outcome of this matter, there has been no transfer included in these financial statements. It may be determined that a transfer is warranted for future and/or subsequent years.

**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. Additionally, the District's attorneys have reported that in one construction litigation matter, there is a potential liability currently estimated to be up to \$3.2 million. This liability is contingent on the outcome of the litigation and is therefore not reported in these financial statements.

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

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

**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, 2008, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$2.9 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

**F. LBSBMA**

The District is currently negotiating with PERS regarding the dissolution of LBSBMA. As noted in Note 12, the assets available in LBSBMA at June 30, 2008 are approximately \$4.8 million. However, based on preliminary estimates, this will not be sufficient to cover the obligation needed to reinstate employees in PERS and cover past LBSBMA obligations. Because the final determination and amounts have not yet been agreed to or actuarially calculated, these financial statements do not include an estimate for this future obligation.

**NOTE 16 - SUBSEQUENT EVENTS:**

**A. General Obligations Bonds**

On July 17, 2008, the District issued 1999 Election, Series G General Obligation bonds totaling \$14,345,000 of current interest bonds and \$15,650,605 of capital appreciation bonds. The bonds were issued to finance the construction and acquisition of new classrooms and school facilities. The bonds have interest rates ranging from 3.5% to 5%.

On July 17, 2008, the District also refunded various series of the 1999 Election General Obligations Bonds in the amount of \$38,320,000. The interest rates varied from 4% to 5%.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 16 - SUBSEQUENT EVENTS: (continued)**

**B. Certificates of Participation**

On October 31, 2008, the District issued the 2008 Capital Project Notes in the amount of \$50,000,000 with a maturity date of June 15, 2009. The interest rate for the notes is 4%. The proceeds from the sale of the Notes were used to prepay its Variable Rate Demand Certificates of Participation (2001 Capital Improvement refinancing Project). The principal of and interest on the Notes shall be payable from any taxes, income, revenue, and other moneys received by the District during or attributable to fiscal year 2008-09.

On November 3, 2008, the District paid off the Certificates of Participation with proceeds from the 2008 Capital Project Notes and unrestricted general fund money. The principal amount was \$50,825,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Revenues:</b>				
Revenue Limit Sources	\$ 497,787,107	\$ 498,307,605	\$ 498,973,011	\$ 665,406
Federal Sources	82,437,636	113,605,290	88,106,513	(25,498,777)
Other State Sources	170,117,290	184,506,642	179,501,154	(5,005,488)
Other Local Sources	<u>8,232,562</u>	<u>20,651,653</u>	<u>19,749,284</u>	<u>(902,369)</u>
<b>Total Revenues</b>	<u>758,574,595</u>	<u>817,071,190</u>	<u>786,329,962</u>	<u>(30,741,228)</u>
<b>Expenditures:</b>				
<b>Certificated Salaries:</b>				
Teachers Salaries	303,224,974	333,222,917	322,602,977	10,619,940
Pupil Support	28,587,863	34,634,307	32,919,020	1,715,287
Supervisors' and Administrators' Salaries	27,805,522	29,412,054	27,675,523	1,736,531
Other Certificated Salaries	11,158,727	15,633,729	14,214,510	1,419,219
<b>Classified Salaries:</b>				
Instructional Aides' Salaries	19,514,982	25,090,272	24,035,939	1,054,333
Support Salaries	39,670,006	43,408,536	42,719,582	688,954
Supervisors' and Administrators' Salaries	21,908,225	25,515,204	24,461,766	1,053,438
Clerical, Technical and Office Staff Salaries	23,294,485	24,502,493	23,146,626	1,355,867
Other Classified Salaries	5,218,753	6,695,244	6,383,148	312,096
<b>Employee Benefits:</b>				
STRS	30,019,830	33,334,406	32,277,465	1,056,941
PERS	9,006,648	9,908,856	9,604,908	303,948
PERS Reduction	2,598,303	2,780,262	2,793,431	(13,169)
OASDI	13,531,696	14,342,291	13,593,289	749,002
Health and Welfare Benefits	72,577,276	74,833,088	71,846,250	2,986,838
Unemployment Insurance	246,524	341,039	285,388	55,651
Workers' Compensation	24,281,705	17,633,395	16,533,069	1,100,326
Retiree Benefits	10,925,482	11,428,538	10,900,056	528,482
Other Employee Benefits		4,132	4,132	-
<b>Books &amp; Supplies:</b>				
Textbooks	6,209,731	20,390,886	12,310,357	8,080,529
Books other than Textbooks	956,247	3,278,999	1,451,395	1,827,604
Materials and Supplies	23,138,769	46,627,325	17,655,884	28,971,441
Noncapitalized Equipment	1,817,245	16,838,493	9,286,127	7,552,366
Food Service Supplies	9,000	15,630	15,026	604

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Services, Other Operating Expenses:</b>				
Sub-Agreements for Services		9,682,957	9,021,140	661,817
Travel and Conferences	1,323,835	3,389,812	2,062,690	1,327,122
Dues and Memberships	106,439	154,611	132,457	22,154
Insurance	4,633,910	3,137,263	3,134,131	3,132
Operating and Housekeeping Services	9,753,635	9,963,971	9,724,173	239,798
Rentals, Leases and Repairs	10,620,392	16,119,358	6,364,393	9,754,965
Direct Costs - Interfund	(87,352)	(93,116)	(78,927)	(14,189)
Other Services and Operating Expenses	52,576,026	39,130,718	47,625,803	(8,495,085)
Communications	3,291,277	2,953,927	2,907,789	46,138
<b>Capital Outlay:</b>				
Sites and Improvements of Sites	362,265	393,457	271,072	122,385
Buildings and Improvements of Buildings	329,439	1,968,004	376,751	1,591,253
Equipment	224,663	1,727,903	1,669,310	58,593
Equipment Replacement	550,200	1,378,032	315,529	1,062,503
<b>Other Outgo:</b>				
State Special Schools	-	-	(3,936)	3,936
Other Outgoing Tuition	-	86,844	86,844	-
Other Transfers Out	-	150,000	150,000	-
<b>Direct Support/Indirect Costs:</b>				
Interfund Transfers of Direct Support/Indirect Costs	(2,783,885)	(3,389,192)	(2,672,213)	(716,979)
<b>Total Expenditures</b>	<u>756,602,837</u>	<u>876,626,645</u>	<u>797,802,874</u>	<u>78,823,771</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	1,971,758	(59,555,455)	(11,472,912)	48,082,543
<b>Other financing sources (uses):</b>				
Transfer in	-	-	700,000	700,000
Transfer out	(6,256,055)	(10,046,607)	(10,046,607)	-
<b>Net change in fund balances</b>	<u>\$ (4,284,297)</u>	<u>\$ (69,602,062)</u>	<u>(20,819,519)</u>	<u>\$ 48,782,543</u>
<b>Fund Balance at Beginning of Year</b>			<u>100,006,776</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 79,187,257</u>	

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE CAFETERIA FUND  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Revenues:</b>				
Federal Sources	\$ 23,339,837	\$ 23,409,751	\$ 23,409,751	\$ -
Other State Sources	1,960,148	2,153,375	2,153,375	-
Other Local Sources	<u>7,535,662</u>	<u>7,466,499</u>	<u>7,466,499</u>	<u>-</u>
<b>Total Revenues</b>	<u>32,835,647</u>	<u>33,029,625</u>	<u>33,029,625</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Classified Salaries:</b>				
Support Salaries	7,479,530	7,868,517	7,852,395	16,122
Supervisors' and Administrators' Salaries	4,675,398	4,900,135	4,899,200	935
Clerical, Technical and Office Staff Salaries	1,173,729	1,090,508	1,090,508	-
Other Classified Salaries	953,587	927,171	927,171	-
<b>Employee Benefits:</b>				
PERS	918,294	993,361	986,228	7,133
PERS Reduction	392,519	337,118	327,317	9,801
OASDI	1,017,003	1,064,456	1,059,702	4,754
Health and Welfare Benefits	2,872,012	3,177,936	2,570,241	607,695
Unemployment Insurance	5,389	8,557	8,128	429
Workers' Compensation	154,008	585,972	491,149	94,823
Retiree Benefits	242,541	701,476	403,088	298,388
<b>Books &amp; Supplies:</b>				
Materials and Supplies	1,479,624	1,044,283	1,611,053	(566,770)
Noncapitalized Equipment	256,572	258,734	219,679	39,055
Food Service Supplies	10,144,797	8,458,184	10,131,551	(1,673,367)
<b>Services, Other Operating Expenses:</b>				
Travel and Conferences	17,200	15,200	11,299	3,901
Dues and Memberships	2,000	2,000	2,672	(672)
Operating and Housekeeping Services	338,000	338,000	322,151	15,849
Rentals, Leases and Repairs	213,433	230,193	196,099	34,094
Direct Costs - Interfund	21,100	23,243	3,746	19,497
Other Services and Operating Expenses	134,170	105,749	150,807	(45,058)
Communications	75,500	75,500	71,373	4,127

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE CAFETERIA FUND  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Capital Outlay:</b>				
Buildings and Improvements of Buildings	320,000	320,000	3,354	316,646
Equipment	60,000	60,000	-	60,000
Equipment Replacement	-	-	39,399	(39,399)
<b>Direct Support/Indirect Costs:</b>				
Interfund Transfers of Direct Support/Indirect Costs	<u>1,422,500</u>	<u>1,931,531</u>	<u>1,220,737</u>	<u>710,794</u>
<b>Total Expenditures</b>	<u>34,368,906</u>	<u>34,517,824</u>	<u>34,599,047</u>	<u>(81,223)</u>
<b>Deficiency of Revenues over Expenditures</b>	(1,533,259)	(1,488,199)	(1,569,422)	(81,223)
<b>Other financing sources (uses):</b>				
Transfer in	<u>374,516</u>	<u>329,456</u>	<u>329,456</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (1,158,743)</u>	<u>\$ (1,158,743)</u>	<u>(1,239,966)</u>	<u>\$ (81,223)</u>
<b>Fund Balance at Beginning of Year</b>			<u>4,036,463</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 2,796,497</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, 2008

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAAL as a Percentage of Covered Payroll</u>
6/30/2008	7/1/2007	\$ -	\$ 96,257,045	\$ 96,257,045	%	\$505,693,908	19%

Note: Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three year trend information will be presented.

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, 2008, the OPEB portion of the self-insurance fund's designated balance was \$7,728,922.

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, 2008**

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedule of Budgetary Comparison For The General Fund and the Cafeteria 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 to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations 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, by major object accounts, occurred in the following funds:

**Cafeteria Fund**

Books and Supplies	\$2,201,082
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**SUPPLEMENTARY INFORMATION**

# LONG BEACH UNIFIED SCHOOL DISTRICT

## HISTORY AND ORGANIZATION

June 30, 2008

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 fifty-one elementary schools, twenty-three middle and K-8 schools, five charter schools, eight high schools, one continuation school and one adult school.

### BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Felton Williams	President	July 2008
Jon Meyer	Vice President	July 2008
Dr. David Barton	Member	July 2010
Mary Stanton	Member	July 2010
Michael Ellis	Member	July 2010
Brittany Quach	Student Member	July 2008

### ADMINISTRATIVE OFFICERS

Christopher Steinhauser	Superintendent of Schools
Christine Dominguez	Deputy Superintendent
Kim Stallings	Chief Business and Financial Officer
Betty Ng	Financial Services Officer

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2008**

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, 2008 are as follows:

	<u>Revised Second Period</u>	<u>Revised Annual</u>
Elementary:		
Kindergarten	5,654	5,663
First through third grade	17,880	17,881
Fourth through eighth grade	31,221	31,228
Opportunity schools	40	44
Home and hospital - temporary physical disabilities	69	70
Special education master plan	1,638	1,645
Special Education - nonpublic, nonsectarian schools	28	36
Community day school	17	17
Extended year special education - mandated	124	124
Extended year - nonpublic, nonsectarian schools	<u>3</u>	<u>3</u>
 Total elementary ADA	 56,674	 56,711
Secondary:		
Regular classes	24,845	24,742
Continuation education	246	242
Opportunity schools	80	88
Home and hospital - temporary physical disabilities	48	52
Special education master plan	954	951
Special Education - nonpublic, nonsectarian schools	129	147
Community day school	13	13
Extended year special education - mandated	102	102
Extended year - nonpublic, nonsectarian schools	<u>21</u>	<u>21</u>
 Total secondary ADA	 26,438	 26,358
 Regional occupation program	 746	 984
Adult Education:		
Concurrently enrolled	46	59
Not concurrently enrolled	<u>1,487</u>	<u>1,844</u>
 Total Adult Education ADA	 <u>1,533</u>	 <u>1,903</u>
 Total ADA	 <u><u>85,391</u></u>	 <u><u>85,956</u></u>
 <u>Hourly Programs</u>	 <u>Hours of Attendance</u>	
Elementary Hourly	790,874	
Secondary Summer School	<u>853,014</u>	
	<u><u>1,643,888</u></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, 2008**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,747	36,000	180	In compliance
Grade 1	50,400	49,930	50,400	180	In compliance
Grade 2	50,400	49,930	50,400	180	In compliance
Grade 3	50,400	49,930	50,400	180	In compliance
Grade 4	54,000	52,110	54,000	180	In compliance
Grade 5	54,000	52,110	54,000	180	In compliance
Grade 6	54,000	52,110	54,000	180	In compliance
Grade 7	54,000	52,110	54,000	180	In compliance
Grade 8	54,000	52,110	54,000	180	In compliance
Grade 9	64,800	64,800	64,800	180	In compliance
Grade 10	64,800	64,800	64,800	180	In compliance
Grade 11	64,800	64,800	64,800	180	In compliance
Grade 12	64,800	64,800	64,800	180	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, 2008

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>U.S. Department of Education:</b>			
Physical Education for Progress	84.215F	(1)	\$ 574,805
Indian Education	84.060	10011	23,356
GEAR UP	84.334A	(1)	1,743,348
Smaller Learning Communities	84.215L	(1)	910,895
Teaching American History Grant	(1)	(1)	463,325
Magnet School Assistance	84.165	(1)	2,319,353
History of the United States for Elementary Education	84.215X	(1)	129,912
A Red, White, and Blueprint for History	84.215X	(1)	181,629
Reserve Officers Training Corps	84.186	(1)	419,666
Emergency Response & Crisis Management	84.184E	(1)	61,848
Subtotal: Direct programs			<u>6,828,137</u>
Pass-Through Program From			
California Department of Education			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	40,469,097
Title I, Part B, Reading First	84.357A	14328	2,263,608
Migrant Education	84.011	14838	384,168
Title I, Program Improvement District Intervention	84.010	14581	24,742
Title I, Non-Program Improvement LEA's with Program Improvement Schools	84.010	14880	240,000
Special Education - IDEA Basic Local Assistance Entitlement	84.027	13379	13,115,525
Special Education - Federal Preschool Grants	84.173A	13430	348,110
Special Education - Preschool Local Entitlement	84.027A	13682	936,673
Preschool Staff Development	84.173A	13431	3,118
Special Education - Early Intervention	84.181	23761	264,596
Special Education Alternative Dispute Resolution	84.027A	13007	26,106
Vocational Education-Basic Grants to States	84.048A	14894	1,413,817
Education Act of 1998 Postsecondary Education	84.048	13923	113,775
Safe & Drug Free Schools	84.186	14347	468,452
Adult Ed-Adult Basic Ed	84.002A	14508	195,571
Adult Ed- Family Literacy	84.002A	13977	81,225
Adult Ed- Secondary ASE/GED	84.002A	13978	29,744
Adult Ed- ESL	84.002A	14109	87,257
Title II, Part A, Improving Teacher Quality	84.367	14341	4,497,607
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	412,129
Title V, Part A, Innovative Ed Strategies	84.298A	14354	2,205,458
21st Century Learning	84.287	14349	8,328,150
Title III, English Language Acquisition	84.365	14346	7,265
Title III, Limited English Proficient Children	84.365	10084	1,414,328
Homeless Children Education	84.196	14332	88,830
Subtotal: California Department of Education			<u>77,419,351</u>
Pass-Through Program From			
City of Long Beach			
Even Start Family Literacy	84.213	14331	<u>152,500</u>
Pass-Through Program From			
California Department of Rehabilitation			
Special Education Workability II	84.158	10006	<u>182,298</u>
Pass-Through Program From			
Los Angeles County Office of Education			
Afterschool Enrichment Program	(1)	(1)	<u>240,512</u>
Total: U.S. Department of Education			<u>84,822,798</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, 2008

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>			
Early Head Start	93.600	(1)	1,813,382
Headstart Services Basic	93.600	10016	15,564,975
Head Start Training TEC	93.600	93.600	151,702
Subtotal: Direct programs			<u>17,530,059</u>
Pass-Through Program From			
California Department of Education			
Quality Improvement	93.575	13979	6,927
School Age Resource Contracts	93.575	13941	5,672
Infant/Toddler	93.575	13942	4,897
Head Start Training TEC	93.600	10016	41,168
Medi-Cal	93.778	10013	1,370,732
Medi-Cal - Administrative	(1)	10600	756,354
Subtotal: California Department of Education			<u>2,185,750</u>
Total: U.S. Department of Health and Human Services			<u>19,715,809</u>
<b>Corporation for National and Community Service</b>			
Pass-Through Program From			
California Department of Education			
CalServe Developmental District Partnership	94.004	13161	94,214
Total: Corporation for National and Community Service			<u>94,214</u>
<b>U.S. Department of Labor:</b>			
Pass-Through Program From			
City of Long Beach			
Workforce Investment Act	17.259	10055	87,730
Total: U.S. Department of Labor			<u>87,730</u>
<b>U.S. Department of Agriculture</b>			
Pass-Through Program From			
California Department of Education			
National School Lunch Program	10.555	13523	18,070,569
Especially Needy Breakfast	10.553	13526	4,533,212
Basic School Breakfast	10.553	13525	126,699
Federal Snack Program	10.000	(1)	679,270
Child and Adult Care Food Program	10.558	13529	1,436,525
Total: U.S. Department of Agriculture			<u>24,846,275</u>
<b>Reconciliation to Federal Revenues:</b>			
Total Federal Program Expenditures			<u>129,566,826</u>
Expenditure in excess of revenue related to Federal Entitlements			
Program Medi-Cal Administrative			2,116,563
Program Medi-Cal			(595,580)
<b>Total Federal Program Grants</b>			<u>\$ 131,087,809</u>

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

The District is the recipient of a Federal award program that does not result in cash receipts or disbursements. The District was granted \$2,044,534 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) 2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>GENERAL FUND:</u></b>								
<b><u>Revenue</u></b>								
Revenue Limit Sources	\$488,060,625	64.4	\$498,973,011	61.8	\$493,996,686	64.7	\$472,400,614	66.1
Federal	83,495,797	11.0	88,106,513	10.9	92,357,126	12.1	99,817,823	14.0
State	160,737,067	21.2	179,501,154	22.2	189,602,944	24.8	149,740,138	20.9
County and Local	15,952,200	2.1	19,749,284	2.4	21,195,557	2.8	16,588,110	2.3
Other Sources			700,000	0.1				
Total Revenue	<u>748,245,689</u>	<u>98.7</u>	<u>787,029,962</u>	<u>97.4</u>	<u>797,152,313</u>	<u>104.5</u>	<u>738,546,685</u>	<u>103.3</u>
<b><u>Expenditures</u></b>								
Certificated Salaries	375,433,120	49.5	397,412,030	49.4	379,165,754	49.7	357,629,830	50.0
Classified Salaries	113,570,123	15.0	120,747,061	14.9	113,046,876	14.8	109,565,454	15.3
Employee Benefits	159,948,773	21.1	157,837,988	19.5	156,284,897	20.5	149,868,860	21.0
Books and Supplies	26,818,908	3.5	40,718,789	5.0	28,131,714	3.7	27,289,854	3.8
Services and Other Operating Expenses	72,238,306	9.5	80,893,649	10.0	77,086,765	10.1	71,200,240	10.0
Capital Outlay	2,455,720	0.3	2,632,662	0.3	2,104,426	0.3	2,042,272	0.3
Other Transfers Out	6,134,584	0.8	232,908	-	422,472	0.1	296,637	-
Direct Support/Indirect Costs	(1,906,422)	(0.3)	(2,672,213)	(0.3)	(2,711,181)	(0.4)	(3,691,246)	(0.5)
Interfund Transfers Out	3,655,005	0.5	10,046,607	1.2	9,511,139	1.2	662,903	0.1
Total Expenditures	<u>758,348,117</u>	<u>100.0</u>	<u>807,849,481</u>	<u>100.0</u>	<u>763,042,862</u>	<u>100.0</u>	<u>714,864,804</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ (10,102,428)</u>	<u>(1.3)</u>	<u>\$ (20,819,519)</u>	<u>(2.6)</u>	<u>\$ 34,109,451</u>	<u>4.5</u>	<u>\$ 23,681,881</u>	<u>3.3</u>
Adjustment for Restatement							<u>\$ (909,245)</u>	<u>-</u>
Ending Fund Balance	<u>\$ 69,084,829</u>	<u>9.1</u>	<u>\$ 79,187,257</u>	<u>9.8</u>	<u>\$ 100,006,776</u>	<u>13.1</u>	<u>\$ 65,897,325</u>	<u>9.2</u>
Available Reserve	<u>\$ 15,162,383</u>	<u>2.0</u>	<u>\$ 16,152,306</u>	<u>2.0</u>	<u>\$ 15,260,730</u>	<u>2.0</u>	<u>\$ 14,297,129</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>81,413</u>		<u>83,112</u>		<u>85,354</u>		<u>87,657</u>	
Total Long-Term Debt	<u>\$345,492,631</u>		<u>\$306,702,025</u>		<u>\$312,149,488</u>		<u>\$320,259,187</u>	

**IMPORTANT NOTES:**

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

Fiscal year 2009 original budget, as reflected in the 2007-2008 Unaudited Actuals

All percentages are of total expenditures.

Average daily attendance is based upon P-2 and excludes Adult Education and ROP.

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2008**

<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
Mattie Academy 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, 2008**

There were no differences between the fund balances reported on the June 30, 2008 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, 2008**

**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. To comply with A-133, this schedule was prepared for the District and is presented on the modified accrual basis of accounting.

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

The State Controller's Office 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 State Controller's Office 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, 2008**

**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.

**NOTE 2 – EXCESS SICK LEAVE:**

Section 19833.5(a)(3) disclosure

Long Beach Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.



**OTHER INDEPENDENT AUDITORS' 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, 2008 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting which are described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-04 and 08-05.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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*. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-06, 08-07, and 08-08.

Long Beach Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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***

This report is intended solely for the information and use of management, the audit committee, the 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 3, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO 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 are applicable to each of its major federal programs for the year ended June 30, 2008. 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.



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, the 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

November 3, 2008



**REPORT ON STATE COMPLIANCE**

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

We have audited the basic financial statements of the Long Beach Unified School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2007-08 *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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. 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
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Yes

## REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community day schools	9	No (see below)
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
Morgan-Hart class size reduction program	7	Not applicable
Instructional materials:		
General requirements	12	Yes
Grades K-8 only	1	Yes
Grades 9-12 only	1	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 Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-Safe) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and reading professional development	4	Not applicable
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
Mode of instruction	1	Yes
Nonclassroom-based instructional/independent study	15	Yes
Determination of funding for nonclassroom-based instruction	3	Yes
Annual instructional minutes – classroom based	3	Yes



## REPORT ON STATE COMPLIANCE

We did not perform testing for Community Day Schools because the ADA was under the level which requires testing. The District did not participate in the Morgan-Hart class size reduction program. The District had two options under which to implement class size reduction; the District exercised Option 1, therefore, audit procedures for Option 2 were not performed. Testing for Emerson Charter School was done in conjunction with the District audit. The District did not participate in the Early Retirement Incentive Program; therefore, the compliance procedures are not applicable. Testing for all other Charter Schools was done by each school's respective auditor.

Based on our audit, 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, except for items 08-07 and 08-08 described in the schedule of findings and questioned costs section of this audit report. Further, based on our examination, 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, except as noted in the schedule of findings and questioned costs section of this audit report.

Long Beach Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 3, 2008

## **FINDINGS AND RECOMMENDATIONS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**June 30, 2008**

*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?   X   Yes        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>
84.215L	Smaller Learning Communities
84.215F	Physical Education for Progress
84.010	Title I

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, 2008**

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

Note: Each of the findings and recommendations below include details about the criteria or specific requirements, the condition, the effect and the cause. Questioned costs, if applicable are listed separately. The District response that follows the finding is the District's corrective action plan.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-01 – CAPITAL ASSET PROCEDURES**

**20000**

**Original Finding 04-08**

**Finding:** According to District policy, all equipment purchases over \$5,000 should be added to the fixed asset listing. While testing the additions in the current year, we noted two items were not appropriately added. The effect is that the asset listing was understated by \$189,437. In addition, the District's Board policy states that the method of depreciation is straight-line with no salvage value. The system, GFAMS, is calculating two different monthly depreciation expense amounts. One amount is in line with District policy as stated above, however for the financial report it is using the other amount which is incorrect. This was noted when several assets were selected to recalculate the depreciation expense, one of five assets tested were incorrect.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend that all items that qualify be added to GFAMS promptly, upon delivery to the District. Additionally, develop procedures to ensure items delivered directly to sites are tagged through alternate procedures. It is our understanding that the vendor is no longer supporting GFAMS software. Therefore, we recommend that the District find software to track the depreciable assets and calculate depreciation to avoid potential misstatements.

**District Response:** The finding references two items not properly tagged and recorded in the fixed asset system by June 30, 2008. This oversight has been rectified and the fixed asset system has been brought up to date. It is standard during year end processing to make the inventory of these directly shipped items a priority for inventory control.

The District concurs that the GFAMS Fixed Asset System calculates two separate depreciation amounts. Neither calculation results in over depreciation of an asset; however, for 12 periods of depreciation annually, it appears that one calculation is based on 365 days per year, the other based on 361.4 days per year (or 30.1 days per period). The latter calculation accelerates the depreciation per period by approximately 1.39%. The depreciation data provided in GFAMS reporting is based on the accelerated depreciation calculation. Total depreciation reported in this report is \$14,892,452 (see Note 9). The accelerated depreciation calculation results in an overstatement of \$185,226, incorrect but not material. The District is aware of this issue and continues to actively look for a Fixed Asset software replacement.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-02 – INFORMATION SYSTEMS DEPARTMENT REVIEW 30000**

**Original Finding 04-09**

**I. Standardized System Development Methodology**

**Finding:** During the 2007-08 fiscal year the District developed a standardized system development methodology that would document how the organization acquires, develops, documents and maintains software systems; however this was implemented in July 2008. The District has designed and developed significant systems for the financial reporting of the District. Developing software can allow more risk if the development and modifications are not well-controlled with formal procedures for systems analysis, documentation standards, modification controls, testing and resolving of conflicts and ongoing maintenance.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend the processes be formally documented. All staff members should be trained in these processes and procedures. Internal Audit should monitor compliance with the procedures annually.

**District Response:** Information on development methodology is included in the “Application Support Processes and Workflow” document, provided to the audit team, which details our development approach and processes. This system was implemented in July of 2008 and all Systems Analysts have been trained in the processes.

LONG BEACH UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO THE FINANCIAL STATEMENTS  
June 30, 2008

**FINDING: 08-02 – INFORMATION SYSTEMS DEPARTMENT REVIEW 30000**  
**(continued)**

**II. Disaster Recovery Plan**

**Finding:** A written disaster recovery plan helps to ensure that an organization can efficiently recover after a significant interruption of information systems services. A written plan should include recovery roles and responsibilities, emergency contacts, prioritization of systems and applications, recovery procedures and vendor contacts. Although the District has backup procedures, the district does not have a written comprehensive disaster recovery plan.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend the District develop a formal comprehensive disaster recovery plan. The plan should be prepared and regularly updated. It should be tested at least annually and the results of these tests be reviewed by Internal Audit and presented to the Board. Any complications found and/or modifications should be resolved and their resolution documented.

**District Response:** The District agrees that a Business Continuity Plan is a prudent measure to mitigate risk. The District has a Disaster Recovery *Strategy* for key business components. These procedures are tested and refined on an on-going basis. This is yet to be developed into a formal Disaster Recovery or Business Continuity plan as this is a goal of the District's current Technology Master Plan process. That plan will be presented to senior administrators and the District will implement all funded plans and/or plan elements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-02 – INFORMATION SYSTEMS DEPARTMENT REVIEW 30000**  
**(continued)**

**III. Access and modification controls**

**Finding:** In a controlled development environment, it is essential that production data and programs be protected from unauthorized manipulation and modification. We found that software developers have access to production systems. Additionally, the District had a consultant review their system for access controls. The results of this review still found deficiencies in the system that leave the District open to unauthorized manipulation.

**Questioned Costs:** Not applicable

**Recommendation:** Production areas are where the actual programs process the actual data and access to these areas should be severely limited. Only after testing is code moved to the production library. These changes must be well documented and someone not in the programming staff must perform the movement of programs to the production library.

**District Response:** Information on access controls is included in the “Application Support Processes and Workflow” document which details our development approach and processes. This system was implemented in July of 2008 and lists our process. Programmers develop changes in a TEST environment. After which, the finished product is QC (Quality Control) tested by a Senior Analyst and tested by the requesting user. Only then is the change implemented in to the production system and this change can only be made by a Senior Systems Analyst. Change Control processes are also documented and all work is tracked and documented in a tracking system (HelpStar).



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-02 – INFORMATION SYSTEMS DEPARTMENT REVIEW 30000**  
**(continued)**

**IV. Access and modification controls**

**Finding:** The information systems department does not have a standardized process for documenting changes to their various systems. Each development group documents and tracks changes to their system based on their own preferences and needs.

**Questioned Costs:** Not applicable

**Recommendation:** The change control process should be standardized for all systems in the department. This process should document the change request, its priority, subsequent disposition, testing results, sign off by the user and cross referencing to the changed programs. The change requests should be maintained in a department wide repository.

**District Response:** Information on Change Control methodology is included in the “Application Support Processes and Workflow” document which details our Change Control approach and processes. This system was implemented in July of 2008 and all Systems Analysts have been trained in the processes.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-03 – SELF INSURANCE PROGRAMS**

**60000**

**Original Findings 04-03 and 04-04**

**Finding:** The District has made significant improvements in the management of its self insured programs. One of the findings reported in prior year audits related to the fact that two of the self insured programs; Property and Liability and Workers' Compensation, were under-funded. The District has developed a plan to recover these deficits over time. The District did eliminate the negative ending fund balance for Property and Liability and made progress on the Workers' Compensation fund. However, at the end of June 30, 2008 there is still a deficit reported in the Workers Comp sub-fund of (\$1,747,334).

**Questioned Costs:** Not Applicable

**Recommendation:** Continue to implement the recovery plan for the District's self-insured program to assure solvency of the programs.

**District Response:** The District will continue to closely monitor the workers' compensation expenditures and follow its plan to eliminate the deficit before the close of the 2008/09 fiscal year.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-04 – ANTI FRAUD PROGRAM**

**60000**

**Original Finding 06-06**

**Finding:** In accordance with our auditing standard (SAS 99) related to our consideration of fraud, we are required to assess the organization's anti-fraud program. The District has incorporated many processes and procedures over the past few years including implementing a hotline, adopting a code of ethics, and providing more independence for internal audit by revising reporting structure. However we believe that additional controls and policies would strengthen the District's programs and bring it into alignment with the recommendations published by the American Institute of Certified Public Accountants. The following recommendations for improvements are the result of our analysis.

**Recommendation:**

- 1) Integrate ethics and fraud awareness into training programs for both certificated and classified employees. This is a good time to promote the organizational-wide code of ethics. This will demonstrate the organization's commitment to a high standard of ethics and its vigilant posture in regards to fraud awareness.
- 2) Conduct an analysis of the role internal audit has in developing and implementing the antifraud program. Currently internal audit focuses primarily on attendance and Associated Student Body Funds. Although these are both critical areas, we believe that other areas warrant periodic internal review, such as payroll, cash receipts, journal entries, purchasing, food service, etc. Surprise audits can be a very effective tool in preventing and detecting fraud. Items to consider including in the analysis are; the emphasis and focus of internal audit, whether the staffing levels are appropriate, whether training programs are sufficient and whether the organizational structure provides a sufficient level of authority, independence and oversight. We believe that it would be beneficial to identify high risk areas on an annual basis, and incorporate random audits and reviews of internal controls.
- 3) The District should consider reviewing the role of the audit committee. The *AICPA Audit Committee Toolkit for Government Organizations* recommends that audit committees draft a charter outlining committee activities, roles, responsibilities. In addition to reviewing the annual financial and compliance audit, these activities should include a review of the audit scope and plan of the internal audit department and independent auditors, review of significant findings, evaluation of management's plan to mitigate identified operating risks, understanding and review of critical accounting policies and alternative accounting treatments and taking an active role in the establishment and maintenance of the District's antifraud program. To accomplish this, the committee should consist of at least one member with financial expertise and meet at regular intervals, at minimum four times each year.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-04 – ANTI FRAUD PROGRAM**  
**(continued)**

**60000**

**District Response:** The District adopted an ethics policy on May 15, 2007. Since that date a pocket size pamphlet on the Code of Ethics, Strategic Plan, Shared Values and Beliefs, has been distributed to employees. Also, the ethics policy is given to new employees when they are hired. Employees are encouraged to report any suspected fraud through the District Fraud Hotline promoted with posters located in each office and school site location.

The District will continue to review the role of Internal Audit and has developed a formal audit plan for the coming years. The plan includes areas of interest to review for internal controls, routine and random audits, and other areas deemed appropriate.

The District will continue to evaluate the role of the audit committee.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-05 – INTERNAL CONTROLS ATTENDANCE** **30000**

**Finding:** Attendance record-keeping and analysis is an important function of a District, as it is the basis of approximately 80% of the State funding received. During our testing of attendance we noted that analytical review of attendance is not performed by District personnel. Explanations provided for variances in attendance were vague and inadequate. Furthermore, the staffing for the attendance accounting at the District is low. For 100 sites there is one person that is responsible for attendance reporting, instructional minutes and class size reduction reporting.

**Questioned Costs:** Not applicable.

**Recommendation:** The District should evaluate the importance of increasing positions for attendance reporting and other related requirements. Additionally, someone should be responsible for reviewing attendance analytically to assist in the assessment of the completeness of attendance reporting.

**District Response:** Due to the State Budget difficulties, it is unlikely that additional funds will be available for increased staffing. The District will attempt to provide additional resources when necessary and will continue to refine and automate the central attendance collection process to ensure the accuracy of the reporting.

An effort will be made to increase the analytical review by District personnel. Site Attendance clerks submit and revise data periodically throughout the school year based on their first-hand knowledge at the school sites. The District Attendance Accountant combines reports that are submitted by the Site Attendance clerks and prepares spreadsheets for State attendance reports which are balanced with site attendance reports. Site attendance totals are compared to enrollment data and prior period attendance totals and significant differences are returned to the sites for explanation or further investigation.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-06 – REDEVELOPMENT AGENCY FEES**

**60000**

**Original Finding 07-07**

**Finding:** The District receives monies associated with Redevelopment Projects that are within the boundaries of the District. There has been much confusion over the years about whether these monies should be considered property tax collections and offset against the revenue limit. Based on our understanding and recent clarifications of the law in this area, the district may need to apply 43.3% of these monies as property tax collections and therefore be included in the amount received for taxes from community redevelopment agencies in the revenue limit calculation. This will revise the amount due from the State for apportionment purposes.

**Recommendation:** We believe the District should obtain an updated legal opinion in this regard. If a change is warranted, new accounting procedures should be put in place to properly account for these monies in the appropriate funds and in the revenue limit calculation. There is a FCMAT alert issued on this subject matter dated May 30, 2007 which may be very helpful in resolving this matter.

In addition, it may be useful for the District to have another study performed on the existing arrangements because the last study dated April 2004 did not have projected revenue information for some of the projects, such as West Beach, West Long Beach Industrial and Poly High.

**District Response:** The District agrees that it would be beneficial to have an updated study performed to assess all redevelopment areas and corresponding arrangements along with legal review. The district is currently in the process of conducting this review and has hired a consulting firm and legal firm to assist in this effort. As an interim precautionary measure, the district has not nor intends to utilize monies received and collected in this fund until such assessment is completed.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING: 08-07 – ADULT EDUCATION**

**40000**

**Finding:** Per the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* the Adult School is required to obtain approval of courses from the California Department of Education in advance. During our audit of Adult Education, we noted the list of 2007-08 courses was not sent to the State for approval until October 2007.

**Recommendation:** Courses should be submitted and approved by the State prior to the commencement of the school year.

**District Response:** The District concurs, courses for 2007/08 were approved after the start of the school year. However, the 2008/09 courses were approved in July of 2008, well before the start of the school year, and it is the intention of the District to ensure course approval prior to the beginning of each school year.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**FINDING 08-08 – STATE COMPLIANCE – AFTER SCHOOL EDUCATION**  
**AND SAFETY (ASES) PROGRAM**

**40000**

**Findings:** Education Code 8483(a)(2) requires “that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.” It was noted during testing that the sign-in and sign-out sheets documented pupil participation and supported the amounts reported on the Semi-Annual Reports. During our review of the sign-in and sign-out sheets, it was noted that 28 student days served out of 120 days tested were improperly signed-in and/or signed-out. An improperly signed-in and/or signed-out student makes the extent of pupil participation undeterminable.

**Questioned Cost:** Not Applicable

**Recommendation:** The District should establish adequate written records that document pupil participation in order to support the attendance reported on the Semi-Annual Reports.

**District Response:** The WRAP program requires and expects that students sign-in (if they are capable or an adult will sign for them) and that parents/guardians sign them out. This is a policy established by the district and the WRAP partnership. This policy is published and available for review in the WRAP Policies and Procedures Manual. District staff are now doing random audits of school sites to ensure that procedures are being followed as outlined. The District appreciates the need for accurate records and works constantly through discussion, appeals, and, now, auditing to ensure that all managing partners monitor their staffs also to ensure that accurate attendance records, including sign-in and sign-out, are being kept and followed.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2008**

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2008.

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

**FINDING 07-01 – CAPITAL ASSET PROCEDURES**

**20000**

**Original Finding 04-08**

**Finding:** According to District policy, all equipment purchases over \$5,000 should be added to the fixed asset listing. While testing the additions in the current year, we noted one item was not appropriately added. The effect is that the asset listing was understated by \$58,821. We also noted three assets under the capitalization threshold were charged to the 6400 object code. In addition, the District's Board policy states that the method of depreciation is straight-line with no salvage value. The system, GFAMS, is calculating two different monthly depreciation expense amounts. One amount is in line with District policy as stated above, however for the financial report it is using the other amount which is incorrect. This was noted when several assets were selected to recalculate the depreciation expense, three of ten assets tested were incorrect.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend that all items that qualify be added to GFAMS promptly, upon delivery to the District. Only assets that will be capitalized should be charge to the 6400 object code, non-capitalized equipment should be charged to object code 4400. Additionally, develop procedures to ensure items delivered directly to sites are tagged through alternate procedures. It is our understanding that the vendor is no longer supporting GFAMS software. Therefore, we recommend that the District find software to track the depreciable assets and calculate depreciation to avoid potential misstatements.

**Current Status:** Not implemented. See current year finding at 08-01.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2008

FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000

Original Finding 04-09

**I. Standardized system development methodology**

**Finding:** The District has not implemented a standardized system development methodology that would document how the organization acquires, develops, documents and maintains software systems. The District has designed and developed significant systems for the financial reporting of the District. Developing software can allow more risk if the development and modifications are not well-controlled with formal procedures for systems analysis, documentation standards, modification controls, testing and resolving of conflicts and ongoing maintenance.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend the processes be formally documented. All staff members should be trained in these processes and procedures. Internal Audit should monitor compliance with the procedures annually.

**Current Status:** The District is in the process of completing a master plan for the information technology department. See current year finding at 08-02 I.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2008

FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000

(continued)

**II. Disaster Recovery Plan**

**Finding:** A written disaster recovery plan helps to ensure that an organization can efficiently recover after a significant interruption of information systems services. A written plan should include recovery roles and responsibilities, emergency contacts, prioritization of systems and applications, recovery procedures and vendor contacts. Although the District has backup procedures, the district does not have a written comprehensive disaster recovery plan.

**Questioned Costs:** Not applicable

**Recommendation:** We recommend the District develop a formal comprehensive disaster recovery plan. The plan should be prepared and regularly updated. It should be tested at least annually and the results of these tests be reviewed by Internal Audit and presented to the Board. Any complications found and/or modifications should be resolved and their resolution documented.

**Current Status:** Not implemented. See current year finding at 08-02 II.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

**FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000**  
**(continued)**

**III. Access and modification controls**

**Finding:** In a controlled development environment, it is essential that production data and programs be protected from unauthorized manipulation and modification. We found that software developers have access to production systems. Additionally, the District had a consultant review their system for access controls. The results of this review still found deficiencies in the system that leave the District open to unauthorized manipulation.

**Questioned Costs:** Not applicable

**Recommendation:** Production areas are where the actual programs process the actual data and access to these areas should be severely limited. Only after testing is code moved to the production library. These changes must be well documented and someone not in the programming staff must perform the movement of programs to the production library.

**Current Status:** Not implemented. See current year finding at 08-02 III.

**IV. Access and modification controls**

**Finding:** The information systems department does not have a standardized process for documenting changes to their various systems. Each development group documents and tracks changes to their system based on their own preferences and needs.

**Questioned Costs:** Not applicable

**Recommendation:** The change control process should be standardized for all systems in the department. This process should document the change request, its priority, subsequent disposition, testing results, sign off by the user and cross referencing to the changed programs. The change requests should be maintained in a department wide repository.

**Current Status:** Not implemented. See current year finding at 08-02 IV.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

FINDING 07-03 – SELF INSURANCE PROGRAMS

60000

Original Findings 04-03 and 04-04

**Finding:** The District has made significant improvements in the management of its self insured programs. One of the findings reported in prior year audits related to the fact that two of the self insured programs; Property and Liability and Workers' Compensation, were under-funded. The District has developed a plan to recover these deficits over time. The District did eliminate the negative ending fund balance for Property and Liability and made progress on the Workers' Compensation fund. However, at the end of June 30, 2007 there is still a deficit reported in the Workers Comp sub-fund of (\$2,642,155).

In addition, there are still unresolved issues with the previous administrators in both the medical program and the workers' compensation program. The District had the Blue Shield claims process audited for the 2004/05 fiscal year, however only limited procedures were performed on the audit of claims for the other administrators. This includes the tracking of stop loss payments made to the administrators that have not been accounted for.

It is our understanding that the Director of Risk Management is currently working on implementing spot checking controls of claims payments, but is in need of electronic data base files from some vendors and adequate staffing. This is one of the most crucial internal controls in this area.

**Questioned Costs:** Not Applicable

**Recommendation:** Continue to implement the recovery plan for the District's self-insured program to assure solvency of the programs. We believe it is critical that the District continue the efforts to obtain a thorough audit of the claims expenses and other expenses previously made.

**Current Status:** Partially implemented. See current year finding at 08-03.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008**

**FINDING 07-04 – CAPITAL FACILITIES**

**60000**

**Original Finding 06-05**

**Finding:** The District receives a percent of the collection of developer fees from the appropriate City governments. The District does not verify or do a periodic review of the cities to ensure that the developer fees submitted by the cities are the full and correct amount to be received. Controls should be implemented and reviewed for developer fees that are collected by cities and distributed to the District to ensure the full amount legally available to the District is intact.

**Questioned Costs:** Not Applicable

**Recommendation:** We recommend a periodic audit by the internal audit department be done to ensure that the District is receiving what they are entitled to and that the cities have controls in place for collection of fees. The District may also want to consider collecting their own fees to allow for greater control and more expedient collection of these fees.

**Current Status:** Implemented



LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

FINDING 07-05 – ANTI FRAUD PROGRAM

60000

Original Finding 06-06

**Finding:** In accordance with our auditing standard (SAS 99) related to our consideration of fraud, we are required to assess the organization's anti-fraud program. The District has incorporated many processes and procedures over the past few years including implementing a hotline, adopting a code of ethics, and providing more independence for internal audit by revising reporting structure. However we believe that additional controls and policies would strengthen the District's programs and bring it into alignment with the newly published recommendations issued by the American Institute of Certified Public Accountants. The following recommendations for improvements are the result of our analysis.

**Recommendation:**

- 1) Integrate ethics and fraud awareness into training programs for both certificated and classified employees. This is a good time to promote the organizational-wide code of ethics. This will demonstrate the organization's commitment to a high standard of ethics and its vigilant posture in regards to fraud awareness.
- 2) Conduct an analysis of the role internal audit has in developing and implementing the antifraud program. Currently internal audit focuses primarily on attendance and Associated Student Body Funds. Although these are both critical areas, we believe that other areas warrant periodic internal review, such as payroll, cash receipts, journal entries, purchasing, food service, etc. Surprise audits can be a very effective tool in the preventing and detecting fraud. Items to consider including in the analysis are; the emphasis and focus of internal audit, whether the staffing levels are appropriate, whether training programs are sufficient and whether the organizational structure provides a sufficient level of authority, independence and oversight. We believe that it would be beneficial to identify high risk areas on an annual basis, and incorporate random audits and reviews of internal controls.

**Current Status:** Not implemented. See current year finding at 08-04.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

<b><u>FINDING 07-06 – ATTENDANCE</u></b>	<b>10000</b>
	<b>40000</b>

**Finding:** During testing of attendance the following exceptions were noted:

- Analytical review of attendance does not seem to occur by District personnel. During our review of attendance, explanations for variances in attendance were vague and inadequate.
- There is no oversight for the attendance process. Additionally, there is no evidence that the work performed by the attendance clerk is reviewed for accuracy. This results in several revisions of the period 2 and period annual attendance reports.
- The staffing for the attendance accounting is low. For 100 sites there is one person that is responsible for attendance reporting, instructional minutes and class size reduction reporting.
- During testing of Class Size Reduction it was noted that the reports used to complete the J-7 CSR reports include independent study and special education students. Based on further inquiry, it was noted that there is not enough time for the attendance clerk to extract all of these students for reporting purposes. While the number is possibly insignificant to the overall amount, it is still misreported.

**Questioned Costs:** We are unable to determine the amount of questioned costs.

**Recommendation:** The District should evaluate the importance of increasing positions for attendance reporting and other related requirements. Furthermore, a District employee should review and analyze the work of the attendance clerk for accuracy.

**Current Status:** Partially implemented. See current year finding at 08-05.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2008

FINDING 07-07 – REDEVELOPMENT AGENCY FEES

60000

**Finding:** The District receives monies associated with Redevelopment Projects that are within the boundaries of the District. There has been much confusion over the years about whether these monies should be considered property tax collections and offset against the revenue limit. Based on our understanding and recent clarifications of the law in this area, the district may need to apply 43.3% of these monies as property tax collections and therefore be included in the amount received for taxes from community redevelopment agencies in the revenue limit calculation. This will revise the amount due from the State for apportionment purposes.

**Recommendation:** We believe the District should obtain an updated legal opinion in this regard. If a change is warranted, new accounting procedures should be put in place to properly account for these monies in the appropriate funds and in the revenue limit calculation. There is a FCMAT alert issued on this subject matter dated May 30, 2007 which may be very helpful in resolving this matter.

In addition, it may be useful for the District to have another study performed on the existing arrangements because the last study dated April 2004 did not have projected revenue information for some of the projects, such as West Beach, West Long Beach Industrial and Poly High.

**Current Status:** Not implemented. See current year finding at 08-06.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2008**

**FINDING 07-08 - ENCROACHMENT IN CHILD DEVELOPMENT FUND 60000**

**Finding:** In 2006-07 there was a transfer from the general fund to the Child Development Fund of approximately \$1.2 million. An encroachment has occurred in prior years as well; however the amount is increasing. We believe the amount is unreasonably high and this type of encroachment is highly unusual. The cause of the encroachment was partially due to the implementation of GASB 45 in which charges were made for the first time in relation to the post employment benefits (approximately \$300,000), however the majority of the encroachment (over \$510,000) relates to the nutrition program. This program should operate without an encroachment.

**Recommendation:** The District should thoroughly analyze the causes for the encroachment and develop a plan to minimize the encroachment of operating these programs. An analysis of the relationship of costs are charged from the food service program should be included in this analysis.

**Current Status:** Significantly improved.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008**

**FINDING 07-09 – FEDERAL FIXED ASSETS**

**50000**

**Federal Program:** Magnet School Assistance Program

**Federal Catalog No.:** 84.165A

**Federal Award Number and Year:** U165A040114-06 and 3

**Federal Agency:** U.S. Department of Education

**Total Program Expenditures:** \$2,424,808

**Compliance:** F. Equipment and Real Property Management

**Finding:** According to District policy and OMB Circular A-133, all equipment purchases over \$5,000 should be added to the fixed asset listing, while testing equipment purchased with Federal funds, we noted one item out of five tested that was not properly added to the equipment listing. This asset was an allowable expenditure.

**Questioned Costs:** \$26,020 is the amount of the asset in question, however as indicated above this is an allowable expenditure under program guidelines.

**Recommendation:** We recommend that all items that qualify be added to GFAMS promptly, upon delivery to the District. Additionally, develop procedures to ensure items delivered directly to sites are tagged through alternate procedures.

**Current Status:** No exceptions noted related to federal awards.