

LONG BEACH UNIFIED SCHOOL DISTRICT

LOS ANGELES COUNTY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2013**



LONG BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2013

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LONG BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Long Beach Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Education
Long Beach Unified School District

Opinions

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Long Beach Unified School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the basic financial statements, in 2013 the Long Beach Unified School District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

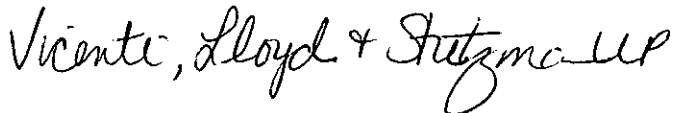
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach Unified School District's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements of Long Beach Unified School District.

Board of Education
Long Beach Unified School District

The supplementary section, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 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* in considering the Long Beach Unified School District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN^{LLP}
Glendora, CA

November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

This section of Long Beach Unified School District's (LBUSD) annual financial report presents a **discussion and analysis** of the District's financial performance during the fiscal year ended June 30, 2013. Please read this special report in conjunction with the financial statements following this section.

ABOUT LONG BEACH UNIFIED SCHOOL DISTRICT

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

Established in 1885 with fewer than a dozen students meeting in a borrowed tent, LBUSD now educates approximately 82,000 students in eighty-two (82) K-12 schools, one adult school and two (2) charter schools in the cities of Long Beach, Signal Hill, Santa Catalina Island, the major portion of Lakewood and unincorporated Los Angeles County Territory. One of the largest school districts in California, it serves the most diverse large city in the United States, with dozens of different languages spoken by local students. The District employs more than 6,900 full-time equivalent people, making it the second largest employer in Long Beach.

Financial Highlights

- Overall revenues and other financing sources totaled \$789.5 million or \$18 million less than expenditures.
- Overall the District's net position decreased by \$21 million or 4.7% over the course of the year.
- The District's total long term debt obligations increased by \$39.6 million during the current fiscal year when the deferred charge on refunding is excluded. The increase was a combination of an increase to the net OPEB obligation and an increase in General Obligation bonds.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$84.8 million or 12.8% of total General Fund expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Overview of the Financial Statements

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

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

The financial statements also include notes that provide explanations or more detailed information. The financial statements comparing the District's General Fund budgeted to actual amounts for the year are supplemented by a narrative on significant variances starting on page vi (see page 56).

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The District's combined net position decreased 4.71% to \$428 million during fiscal year 2012-13. The overall decrease in total assets and liabilities is partially due to reductions in revenue between years including Jobs Bill funds, Title I, ASES and preschool programs.

Summary of Statement of Activities

	<u>2011-12</u>	<u>2012-13</u>	<u>Variance</u>
Program Revenues:			
Charges for Services	\$ 8,261,106	\$ 8,146,972	-1.38%
Operating Grants and Contributions	239,942,916	203,245,421	-15.29%
Capital Grants and Contributions	5,459,090	12,060,040	120.92%
General Revenues:			
Property Taxes	118,526,055	178,641,917	50.72%
Federal and State Aid Unrestricted	428,324,600	375,493,772	-12.33%
Interest, Investment and Miscellaneous	<u>17,575,945</u>	<u>11,900,917</u>	-32.29%
Total Revenues	<u>818,089,712</u>	<u>789,489,039</u>	-3.50%
Instruction and Related Services	571,391,205	569,731,579	-0.29%
Pupil Services	85,282,134	80,025,302	-6.16%
General Administration	29,454,260	31,017,375	5.31%
Ancillary, Community, and			
Enterprise Activities	7,140,110	7,024,211	-1.62%
Plant Services	94,545,672	94,955,237	0.43%
Debt Service	24,924,680	23,764,371	-4.66%
Other Outgo	<u>825,096</u>	<u>1,003,657</u>	21.64%
Total Expenses	<u>813,563,157</u>	<u>807,521,732</u>	-0.74%
Change in Net Position	<u>4,526,555</u>	<u>(18,032,693)</u>	-498.38%
Net Position, Beginning, as restated	<u>444,678,588</u>	<u>446,078,897</u>	
Net Position, Ending	<u>\$ 449,205,143</u>	<u>\$ 428,046,204</u>	-4.71%

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Total revenues decreased between 2011-12 and 2012-13. An increase of \$6.6 million in capital grants and contributions was offset by a \$36.7 million decrease in operating grants and contributions. Nearly half of the decrease in operating grants was due to the use of the Education Jobs Fund federal ARRA monies in 2011-12 that were not available in 2012-13. Title I funds decreased between years, along with other federal programs.

The decrease in expenditures did not match the decrease in revenues, resulting in a decreased net position. While revenues can quickly be curtailed by granting agencies, the programs and processes being supported by those revenues generally are scaled back more slowly. Reductions in instruction and pupil services followed the general decline in student population. The District has been committed to reducing and closing its structural deficit, and this will be aided by the slowly recovering economy.

Fund Financial Statements

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

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

The District operates three types of funds:

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

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balances of \$368.7 million, compared to last year's combined ending balances of \$392.4 million. The Building Fund ending balance decreased by \$24.5 million to \$180.7 million between years as a result of the District's usage of bond funds on McBride High School which opened in the fall of 2013. Several other significant projects are underway using bond funds. The District issued \$50 million in a new bond series to remain prepared for the ongoing projects.

General Fund Budgetary Highlights

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

- Revenues for grants and entitlements from federal, state and local resources are budgeted as sources are identified throughout the year. These additional revenues represented a 14% increase in combined revenue categories.
- Expenditures are appropriated throughout the year that were not included in the adopted budget. These increases come primarily from the appropriation of newly identified revenues or the addition of carryover funds.

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

- Actual revenues available were \$20.9 million below final budgeted amounts. Approximately \$4 million represents grant monies that have been received but not spent by June 30, 2013 and the remainder is the result of grant awards budgeted with no costs yet incurred.
- Expenditure categories generally reflected lower amounts than the final budgeted amount. The balances that were generated by restricted grants and entitlements will become carryover funds for 2013-14.
- The expenditure category of Books and Supplies include amounts that are being held in reserve in the Revised Final Budget.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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>		
Revenues:				
Revenue Limit Sources	\$ 493,180,910	\$ 421,695,118	\$ 421,712,421	\$ 17,303
Federal Sources	65,454,113	82,390,838	65,507,959	(16,882,879)
Other State Sources	148,933,642	152,367,201	151,564,117	(803,084)
Other Local Sources	8,955,698	20,095,394	16,802,869	(3,292,525)
Total Revenues	<u>716,524,363</u>	<u>676,548,551</u>	<u>655,587,366</u>	<u>(20,961,185)</u>
Expenditures:				
Certificated Salaries	324,767,000	334,068,797	323,424,314	10,644,483
Classified Salaries	101,672,255	101,937,349	98,183,124	3,754,225
Employee Benefits	162,649,152	158,030,664	150,038,643	7,992,021
Books & Supplies	14,631,854	38,461,678	17,715,753	20,745,925
Services, Other Operating Expenses	69,017,912	82,272,512	73,895,636	8,376,876
Capital Outlay	807,174	1,393,667	1,039,487	354,180
Other Outgo	162,897	118,826	125,767	(6,941)
Direct Support/Indirect Costs:	(1,018,447)	(947,158)	(883,645)	(63,513)
Total Expenditures	<u>672,689,797</u>	<u>715,336,335</u>	<u>663,539,079</u>	<u>51,797,256</u>
Excess (Deficiency) of Revenues over Expenditures	<u>43,834,566</u>	<u>(38,787,784)</u>	<u>(7,951,713)</u>	<u>30,836,071</u>
Other financing sources (uses):				
Transfer out	(7,670,667)	(6,568,588)	(4,868,588)	1,700,000
Total Other financing sources (uses):	<u>(7,670,667)</u>	<u>(6,568,588)</u>	<u>(4,868,588)</u>	<u>1,700,000</u>
Net change in fund balance	<u>\$ 36,163,899</u>	<u>\$ (45,356,372)</u>	<u>(12,820,301)</u>	<u>\$ 32,536,071</u>
Fund balance - July 1, 2012			<u>108,554,593</u>	
Fund balance - June 30, 2013			<u>\$ 95,734,292</u>	

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Capital Assets and Long-Term Debt (See page 42 and 43)

Capital Assets

By the end of fiscal year 2012-13, the District had invested \$1,122.6 million in a broad range of capital assets, including land, land improvements, buildings, work in progress, vehicles, machinery and equipment. This amount represents an increase of \$72.9 million after restatements, or 7% over last year. This increase is partially due to the completion of McBride High School which opened September 3, 2013 and the Cabrillo pool which also opened September 2013. Significant progress is also being made on Newcomb Academy and Roosevelt Elementary.

Long-Term Debt

At year-end, the District had \$669.9 million in long-term debt. General Obligation Bonds accounted for \$602.8 million, including related premium and accreted interest. The remaining \$67.1 million represents the value of accumulated employee vacation time, the net OPEB obligation and capital leases. The District's bond rating is AA-. This is consistent with prior year.

Economic Factors That May Affect the Future

The state budget for education has a more positive outlook this year due to the improving economy and the passage of Proposition 30 in November 2012. The new local control funding formula (LCFF) for schools will supply much-needed dollars toward reducing the achievement gap in our state but will require at least 8 years to reach full implementation. As long as the state revenue meets or exceeds projections, schools should receive the scheduled increases in funding. As the economy is still somewhat fragile, the state revenues necessary for these increases cannot be guaranteed.

Federal dollars are also uncertain. Categorical programs such as Title I and Head Start have seen their funding reduced through sequestration cuts. Most state funds will now be part of the LCFF and increases will be tied to the health of the state economy.

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, 2013

FUNDS AND DEFINITIONS OF ACCOUNTING TERMS

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

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

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

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

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the school district. The board of supervisors of the county issues the bonds and the proceeds are deposited in the county treasury to the Building Fund of the District. The county auditor maintains control over the fund. Principal and interest on the bonds is paid by the county treasurer from taxes levied by the county auditor-controller. Expenditures in this fund are limited to bond interest, redemption and related costs.

FINANCIAL SECTION

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 432,191,403
Cash on hand and in banks	3,839,839
Cash in revolving fund	1,228,605
Cash collections awaiting deposit	16,748
Accounts receivable:	
Federal and state governments	80,482,917
Local governments	4,771,025
Miscellaneous	3,538,912
Inventories	2,210,478
Prepaid expenditures	1,228,915
Land	113,922,550
Work in progress	129,774,125
Depreciable assets, net	463,093,236
Total Assets	1,236,298,753
 <u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	4,284,506
 <u>Liabilities</u>	
Accounts payable and other current liabilities	40,528,343
Accrued interest payable	8,669,281
Unearned revenue	3,916,550
Estimated liability for open claims and IBNR's	44,461,475
Tax and revenue anticipation notes (TRANS) payable	45,000,000
Current portion of long-term liabilities:	
General obligation bonds	24,735,000
Capital leases	632,072
Compensated absences	7,859,384
Non-current portion of long-term liabilities:	
General obligation bonds	578,152,813
Capital leases	91,592
Compensated absences	2,647,146
Other postemployment benefits	55,843,399
Total Liabilities	812,537,055
 <u>Net Position</u>	
Invested in capital assets, net of related debt	278,619,107
Restricted for:	
Debt service	46,237,995
Educational programs	15,997,101
Capital projects	25,845,476
Other programs	8,174,785
Unrestricted	53,171,740
Total Net Position	\$ 428,046,204

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 492,811,935	\$ 412,617	\$ 105,672,014	\$	\$ (386,727,304)
Instruction - related services	76,919,644	136,870	26,568,528		(50,214,246)
Pupil services	80,025,302	4,641,675	51,655,301		(23,728,326)
Ancillary services	891,477	461	198,709		(692,307)
Community services	6,093,969	909	359,985		(5,733,075)
Enterprise activities	38,765				(38,765)
General administration	31,017,375	18,568	5,033,459		(25,965,348)
Plant services	94,955,237	2,935,810	13,639,141	12,060,040	(66,320,246)
Other outgoing	1,003,657	62	118,284		(885,311)
Debt service - interest	23,764,371				(23,764,371)
Total School District	\$ 807,521,732	\$ 8,146,972	\$ 203,245,421	\$ 12,060,040	(584,069,299)
General Revenues					
Property taxes levied for					
General purposes					
					123,675,392
Debt service					
					50,994,704
Other specific purposes					
					3,971,821
Federal and state aid not restricted to specific purposes					
					375,493,772
Interest and investment earnings					
					800,733
Miscellaneous					
					11,100,184
Total General Revenues and Special Items					
					<u>566,036,606</u>
Change in net position					
					<u>(18,032,693)</u>
Net Position - Beginning of Year, before Cumulative Effect					
					449,205,143
Cumulative effect of change in accounting principle (see Note 15)					
					<u>(3,126,246)</u>
Net Position - Beginning of Year, after Cumulative Effect					
					<u>446,078,897</u>
Net Position - End of Year					
					<u>\$ 428,046,204</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
Assets					
Cash in county treasury	\$ 100,123,994	\$ 188,528,884	\$ 46,237,995	\$ 27,565,709	\$ 362,456,582
Cash on hand and in banks				3,839,839	3,839,839
Cash in revolving fund	397,350			1,255	398,605
Cash collections awaiting deposit				16,748	16,748
Accounts receivable:					
Federal and state governments	72,264,436			8,218,481	80,482,917
Local governments	1,895,867			19,646	1,915,513
Miscellaneous	2,215,041	358,889		185,334	2,759,264
Due from other funds	3,348,168				3,348,168
Inventories	900,100			1,310,378	2,210,478
Prepaid expenditures	385,355	838,761		4,799	1,228,915
Total Assets	\$ 181,530,311	\$ 189,726,534	\$ 46,237,995	\$ 41,162,189	\$ 458,657,029
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 26,354,023	\$ 9,027,675	\$	\$ 2,276,459	\$ 37,658,157
Due to other funds		34,650		3,312,424	3,347,074
Unearned revenue	3,816,981			99,569	3,916,550
Tax Revenue Anticipation Notes Payable	45,000,000				45,000,000
Total Liabilities	75,171,004	9,062,325	-	5,688,452	89,921,781
Fund Balances					
Nonspendable	1,682,805	838,761		1,316,432	3,837,998
Restricted	15,860,057	179,825,448	46,237,995	34,157,305	276,080,805
Committed	3,977,909				3,977,909
Assigned	71,460,381				71,460,381
Unassigned	13,378,155				13,378,155
Total Fund Balances	106,359,307	180,664,209	46,237,995	35,473,737	368,735,248
Total Liabilities and Fund Balances	\$ 181,530,311	\$ 189,726,534	\$ 46,237,995	\$ 41,162,189	\$ 458,657,029

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 POSITION
June 30, 2013

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

Total fund balance - governmental funds		\$ 368,735,248
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,122,575,200 and the accumulated depreciation is \$415,791,289. The net value of capital assets is -		706,789,911
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.		2,855,512
The accrued interest for general obligation bonds is -		(8,669,281)
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.		24,011,714
Deferred charge on refunding to be amortized over the life of the refunded or refunding debt		4,284,506
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	(561,282,292)	
Unmatured Premium General Obligation Bonds	(36,757,753)	
Accreted Interest on Capital Appreciation Bonds	(4,847,768)	
Capital leases	(723,664)	
Compensated Absences Payable	(10,506,530)	
Net Other Postemployment Benefits Obligation	<u>(55,843,399)</u>	
		<u>(669,961,406)</u>
Total net position - governmental activities		<u>\$ 428,046,204</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, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue limit sources:					
State apportionments	\$ 295,938,377	\$	\$	\$	\$ 295,938,377
Charter schools general purpose entitlement	1,979,557				1,979,557
Local sources	<u>123,794,487</u>		<u>50,845,867</u>		<u>174,640,354</u>
Total revenue limit sources	421,712,421	-	50,845,867		472,558,288
Federal sources	65,507,959		3,829,168	48,095,909	117,433,036
Other state sources	151,564,117		392,514	19,457,749	171,414,380
Other local sources	<u>16,849,394</u>	<u>1,129,829</u>	<u>130,063</u>	<u>13,088,844</u>	<u>31,198,130</u>
Total Revenues	<u>655,633,891</u>	<u>1,129,829</u>	<u>55,197,612</u>	<u>80,642,502</u>	<u>792,603,834</u>
Expenditures					
Instruction	444,492,543			17,567,604	462,060,147
Instruction - related services	67,280,265			4,195,343	71,475,608
Pupil services	45,042,380			34,269,187	79,311,567
Ancillary services	874,829				874,829
Community services	5,804,770				5,804,770
Enterprise activities	3,547				3,547
General administration	28,183,651			954,692	29,138,343
Plant services	71,476,614	75,608,635		20,123,132	167,208,381
Other outgo	1,484,292	2,000			1,486,292
Debt service			<u>50,051,890</u>		<u>50,051,890</u>
Total Expenditures	<u>664,642,891</u>	<u>75,610,635</u>	<u>50,051,890</u>	<u>77,109,958</u>	<u>867,415,374</u>
Excess (Deficiency) of revenues over expenditures	<u>(9,009,000)</u>	<u>(74,480,806)</u>	<u>5,145,722</u>	<u>3,532,544</u>	<u>(74,811,540)</u>
Other Financing Sources (Uses)					
Interfund transfers in				264,113	264,113
Proceeds from sale of general obligation bonds		50,000,000			50,000,000
Premium on sale of general obligation bonds			1,159,724		1,159,724
Interfund transfers out	<u>(264,113)</u>				<u>(264,113)</u>
Total Other Financing Sources (Uses)	<u>(264,113)</u>	<u>50,000,000</u>	<u>1,159,724</u>	<u>264,113</u>	<u>51,159,724</u>
Net changes in fund balances	<u>(9,273,113)</u>	<u>(24,480,806)</u>	<u>6,305,446</u>	<u>3,796,657</u>	<u>(23,651,816)</u>
Fund Balances - Beginning of Year	110,580,742	205,145,015	39,932,549	36,728,758	392,387,064
Adjustment for Reclassification (See Note 16)	<u>5,051,678</u>			<u>(5,051,678)</u>	-
Fund Balances - Beginning of Year, as Adjusted	<u>115,632,420</u>	<u>205,145,015</u>	<u>39,932,549</u>	<u>31,677,080</u>	<u>392,387,064</u>
Fund Balances - End of Year	<u>\$ 106,359,307</u>	<u>\$ 180,664,209</u>	<u>\$ 46,237,995</u>	<u>\$ 35,473,737</u>	<u>\$ 368,735,248</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Net change in fund balances-total governmental funds \$ (23,651,816)

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

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

Capital asset additions	\$75,104,739	
Depreciation expense	<u>(18,006,545)</u>	57,098,194

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

General obligation bond proceeds and premium	(51,159,724)	
Repayment of bond principal	25,370,000	
Net increase in accreted interest	(1,414,773)	
Bond premium, current year amortization	1,929,498	
Repayment of capital lease	922,987	
Deferred charge on refunding, current year amortization	(237,495)	
Decrease in accrued interest expense	<u>640,289</u>	
Change in bond activity		(23,949,218)

In the statement of activities, certain operating expenses - compensated absences (vacations), - are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable decreased by \$263,071. 263,071

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: (3,124,794)

Internal service funds are used by the District to manage the Self-Insurance Fund. The net loss of \$9,168,514 is reported with governmental activities. (9,168,514)

Increase in postemployment benefits other than pensions (OPEB) (15,499,616)

Change in net position of governmental activities \$ (18,032,693)

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS**

June 30, 2013

	Governmental Activities
	Self Insurance Funds
<u>Assets</u>	
Cash in county treasury	\$ 69,734,821
Cash in revolving fund	830,000
Accounts receivable:	
Miscellaneous	779,648
Total Assets	71,344,469
 <u>Liabilities</u>	
Accounts payable	2,870,186
Due to other funds	1,094
Estimated liability for open claims and IBNRs	44,461,475
Total Liabilities	47,332,755
 <u>Net Position</u>	
Restricted	24,011,714
Total Net Position	\$ 24,011,714

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2013**

	Governmental Activities
	Self Insurance Funds
Operating Revenues	
All other local revenue	\$ 48,539
Self-insurance premiums	<u>68,022,688</u>
Total Operating Revenues	<u>68,071,227</u>
 Operating Expenditures	
Salaries	441,814
Benefits	185,142
Other supplies	54,639
Payments for health and welfare claims	<u>76,933,683</u>
Total Operating Expenditures	<u>77,615,278</u>
Operating loss	<u>(9,544,051)</u>
 Non-Operating Revenues	
Interest income	<u>375,537</u>
Total Non-Operating Revenues	<u>375,537</u>
Change in net position	(9,168,514)
 Net Position - Beginning of Year	<u>33,180,228</u>
Net Position - End of Year	<u><u>\$ 24,011,714</u></u>

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, 2013

	Governmental Activities
	Self Insurance Fund
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 67,748,353
Cash paid for claims and operating expenses	<u>(75,740,035)</u>
Net cash used by operating activities	(7,991,682)
Cash Flows from Investing Activities	
Interest income	<u>365,696</u>
Net cash provided by investing activities	<u>365,696</u>
Net decrease in cash and cash equivalents	(7,625,986)
Cash and cash equivalents - July 1, 2012	<u>78,190,807</u>
Cash and cash equivalents - June 30, 2013	<u><u>\$ 70,564,821</u></u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>\$ (9,544,051)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(322,875)
Prepaid expense	44,463
Accounts payable	10,928
Due to other funds	844
Estimated claims	<u>1,819,009</u>
Total adjustments	<u>1,552,369</u>
Net Cash Used by Operating Activities	<u><u>\$ (7,991,682)</u></u>
Cash balances at June 30, 2013 consisted of the following:	
Cash in county treasury	\$ 69,734,821
Cash in revolving fund	<u>830,000</u>
Total cash balances at June 30, 2013	<u><u>\$ 70,564,821</u></u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION - FIDUCIARY FUNDS

June 30, 2013

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 4,754,124
Accounts receivable:	
Miscellaneous	31,023
Stores inventory	<u>28,601</u>
Total Assets	<u>4,813,748</u>
<u>Liabilities</u>	
Accounts payable	159,209
Funds held in trust	<u>2,884,963</u>
Total Liabilities	<u>3,044,172</u>
<u>Net Position</u>	
Unrestricted	<u>1,769,576</u>
Total Net Position	<u>\$ 1,769,576</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FUND NET POSITION - FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2013

	<u>Associated Student Body Funds</u>
Additions	
Revenue from local sources	\$ 4,065,808
Total Additions	<u>4,065,808</u>
Deductions	
Other expenses	<u>4,055,614</u>
Total Deductions	<u>4,055,614</u>
Changes in net assets	10,194
Net Position - Beginning of Year	<u>1,759,382</u>
Net Position - End of Year	<u>\$ 1,769,576</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, 2013

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).

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

A. BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements.

1. Government-wide Financial Statements:

The Statement of Net Position 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 Position 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, 2013

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, 2013

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.

Debt service – includes principal and interest payments for long term debt.

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

B. FUND ACCOUNTING:

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

The Statement of Revenues, Expenditures, and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS - MAJOR

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

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

Debt Service Fund – used to account for the financial resources that are restricted and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs. The District maintains the Debt Service Fund to account for bond interest and redemption of general obligation bond principal.

GOVERNMENTAL FUNDS – NON-MAJOR

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

1. Adult Education Fund - used to account for resources committed to adult education programs maintained by the District.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

2. Child Development Fund - used to account for resources committed to child development programs.
3. Cafeteria Fund - used to account for revenues received and expenditures made to operate the District's food and nutrition service program.

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

B. FUND ACCOUNTING: (continued)

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Student Body Funds – used to account for the raising and spending of money to promote the general welfare, morale and educational experiences of the student body. The District operates 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 a liability in the County Treasury amounting to \$729,107 on June 30, 2013, which represents withholdings payable.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING:

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

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 unearned revenue, and in the presentation of expenses versus expenditures.

1. Cash and Cash Equivalents

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

2. Receivables

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2013, the inventory for supplies is \$900,100 and the inventory for food is \$1,310,378

4. Prepaid Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

5. 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 Position, 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 Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

5. Capital Assets (continued)

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

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

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

6. Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net position or fund balance that applied to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

7. Unearned Revenue

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

8. Compensated Absences (continued)

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

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

9. Long-Term Obligations

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

10. Fund Balance Classification

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

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

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

11. Spending Order Policy

The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position fund balance is available.

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

12. Minimum Fund Balance Policy

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

13. Net Position

Net position represents the difference between assets and liabilities. Net position 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 position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

14. 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.

15. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. 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.

16. 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 \$6,700,000 for STRS

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

17. 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.

18. 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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*.

19. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

D. REPORTING ENTITY:

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

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 a financial benefit or burden relationship is present 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.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

D. REPORTING ENTITY: (continued)

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 established with the express purpose of promoting and assisting the educational program of the District in accordance with the mission, policies and priorities of the District. The Foundation Board of Directors is selected independent of any District Governing Board elections. The Foundation Board is responsible for approving its own budget and related accounting and finance activities. Separate financial statements for this entity can be obtained through the District.
2. California State University Dominguez Hills Foundation – The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors is elected independent of any District Governing Board appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. The Foundation supports some functions of the California Academy of Mathematics and Science (CAMS) – a high school under the jurisdiction of the District.
3. Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.
4. Charter School – The New City School– This charter school receives its funding directly from other government agencies and has a separate governing board. Separate financial statements for this entity can be obtained through the District.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - BUDGETS:

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

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS:

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, 2013, \$11,655,469 of the District's bank balance of \$13,217,333 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$10,554,503
Uninsured and uncollateralized	<u>1,100,966</u>
Total	<u>\$11,655,469</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

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, 2013, as provided by the County Treasurer, was \$403,983,005 as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the amortized cost of the portfolio).

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund activity has been eliminated in the Government-wide statements as required by GASB Statement 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 June 30, 2013 are temporary loans and are detailed as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 3,348,168	\$
Building Fund		34,650
Non-Major Funds:		
Special Revenue Funds:		
Adult Education Fund		665,566
Child Development Fund		911,292
Cafeteria Fund		1,735,566
Proprietary Fund:		
Self-Insurance Fund		1,094
	<u>\$ 3,348,168</u>	<u>\$ 3,348,168</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 2012-13 fiscal year are as follows:

Transfer from the General Fund to the Adult Education Fund for revenue to maintain Adult Education program	\$ 51,976
Transfer from the General Fund to the Child Development Fund for revenue to maintain Child Development program	15,316
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement	<u>196,821</u>
Total	<u>\$ 264,113</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 5 - FUND BALANCES:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	\$ 397,350	\$	\$	\$ 1,255	\$ 398,605
Inventory	900,100			1,310,378	2,210,478
Prepaid expense	385,355	838,761		4,799	1,228,915
Total Nonspendable	<u>1,682,805</u>	<u>838,761</u>	<u>-</u>	<u>1,316,432</u>	<u>3,837,998</u>
Restricted					
Legally restricted programs	15,860,057			137,044	15,997,101
Debt service			46,237,995		46,237,995
Child development program				984,469	984,469
Nutrition services				7,190,316	7,190,316
Capital projects		179,825,448		25,845,476	205,670,924
Total Restricted	<u>15,860,057</u>	<u>179,825,448</u>	<u>46,237,995</u>	<u>34,157,305</u>	<u>276,080,805</u>
Committed					
Deferred maintenance program	3,977,909				3,977,909
Total Committed	<u>3,977,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,977,909</u>
Assigned					
Contingency for multi-year structural budget deficit	60,066,144				60,066,144
Site carryover	4,747,131				4,747,131
One-time technology upgrades	6,647,106				6,647,106
Total Assigned	<u>71,460,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,460,381</u>
Unassigned					
Economic uncertainties	13,378,155				13,378,155
Total Unassigned	<u>13,378,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,378,155</u>
Total fund balances	<u>\$ 106,359,307</u>	<u>\$ 180,664,209</u>	<u>\$ 46,237,995</u>	<u>\$ 35,473,737</u>	<u>\$ 368,735,248</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - LEASES:

A. Capital Leases

The District leases equipment valued at approximately \$2.9 million which was capitalized because the useful life criteria was met. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease Payment</u>
2014	\$ 701,096
2015	98,527
2016	<u>2,409</u>
Total	802,032
Less Amount Representing Interest	<u>78,368</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 723,664</u></u>

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - LEASES: (continued)

B. Operating Leases

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

<u>Year Ending</u> <u>June 30,</u>	<u>Lease Payments</u>
2014	\$ 204,188
2015	186,653
2016	102,715
2017	32,457
2018	<u>578</u>
Total	<u>\$ 526,591</u>

2012-13 expenditures for operating leases were approximately \$726,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7 - TAX REVENUE ANTICIPATION NOTES (TRANS):

A. 2012 TRANS

The District issued \$75,000,000 of Tax Revenue Anticipation Notes dated February 23, 2012 through the Los Angeles County Schools Pooled Financing Program (Series B). The notes matured on November 30, 2012 and yielded .25% interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that half of the principal and interest be repaid to the trustee in both September and October 2012.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 7 - TAX REVENUE ANTICIPATION NOTES: (continued)

A. 2012 TRANS (continued)

The monies were required to remain on deposit until the maturity date of the note, November 30, 2012 at which time they were applied to pay the principal and interest on the notes. The required deposits were made and the notes were paid in full.

B. 2013 TRANS

The District issued \$45,000,000 of Tax Revenue Anticipation Notes dated March 14, 2013 through U.S. Bank as agent of the Treasurer and Tax Collector of Los Angeles County. The notes will mature on December 31, 2013 and yield .17 % interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements are that half of the principal and interest be repaid to the trustee in both September and October 2013.

The monies are required to remain on deposit until the maturity date of the note, December 31, 2013 at which time they will be applied to pay the principal and interest on the notes. The short term liability of \$45,000,000 is recorded as Tax and Revenue Anticipation Notes Payable as of June 30, 2013.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS:

Measure A Series

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

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

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

The proceeds associated with the Refunding Bonds Series A and Series B were deposited in an escrow fund for future repayment. At June 30, 2013, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Measure A Series (continued)

The proceeds associated with the Refunding Bonds, Series C were deposited in an escrow fund for future repayment. At June 30, 2013, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on the Series C refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$3,102,565. Amortization of \$155,128 was recognized during the 2012-13 year.

On April 19, 2011, the District issued 2011 General Obligation Refunding Bonds, Series D of \$11,330,000 of current interest serial bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series E) of the District and to pay the cost of issuance associated with the Refunding Bonds. At June 30, 2013, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

On March 27, 2012, the District issued 2012 General Obligation Refunding Bonds, Series E of \$81,780,000 of serial bonds. The bonds were issued to refund all of the District's outstanding General Obligation Bonds, Series C through E, to advance refund a portion of Series F and pay the costs of issuance associated with the Bonds.

The proceeds associated with the 2012 Refunding Bonds were deposited in an escrow fund for future payment. At June 30, 2013, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on the refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,729,692. Amortization of \$82,365 was recognized during the 2012-13 year.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Measure K Series

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

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

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

On May 15, 2013, the District issued General Obligation Bonds, Election 2008, Series C of \$50,000,000 of serial bonds. These bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District sites and facilities and to pay the costs of issuing these bonds.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2005 (Series F), February 1, 2009 (Series G and Refunding Bond Series A), August 1, 2009 (Refunding Bond Series B and Measure K Series A), August 1, 2010 (Refunding Bond Series C), August 1, 2011 (Measure K Series B-1 and Refunding Bond Series D), August 1, 2012 (Refunding Bond Series E), and August 1, 2013 (Measure K Series C). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

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

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Principal Payment Current Year</u>	<u>Outstanding June 30, 2013</u>
Measure A								
Series F	6/1/2004	3.5%-5.375%	8/1/2033	\$ 50,000,000	\$ 1,135,000	\$	\$ 1,135,000	\$ -
Series G	7/17/2008	3.5%-5.44%	8/1/2033	29,995,606	29,995,606			29,995,606
Accreted Interest					3,165,079	1,016,650		4,181,729
Refunding Bond								
Series A	7/17/2008	2.57%-4.28%	8/1/2022	38,320,000	37,590,000		1,690,000	35,900,000
Series B	4/7/2009	3.0%-5.25%	8/1/2029	28,465,000	26,150,000		1,510,000	24,640,000
Series C	2/3/2010	2.5%-5.125%	8/1/2029	51,720,000	51,720,000			51,720,000
Series D	4/19/2011	3.0%-5.25%	8/1/2024	11,330,000	11,200,000		1,450,000	9,750,000
Series E	3/27/2012	1.0%-5.0%	8/1/2033	81,780,000	81,780,000		875,000	80,905,000
Measure K								
Series A	4/7/2009	3.5%-5.0%	8/1/2033	260,000,000	221,655,000		18,710,000	202,945,000
Series B	4/19/2011	7.26%-7.33%	8/1/2035	3,020,686	3,020,686			3,020,686
Accreted Interest					267,916	398,123		666,039
Series B-1	4/19/2011	5.314%-5.914%	8/1/2025	72,406,000	72,406,000			72,406,000
Series C	5/15/2013	1.0%-4.0%	8/1/2037	50,000,000		50,000,000		50,000,000
				<u>\$ 677,037,292</u>	<u>\$ 540,085,287</u>	<u>\$ 51,414,773</u>	<u>\$ 25,370,000</u>	<u>\$ 566,130,060</u>
							Bond Premium	<u>36,757,753</u>
							Total Bonds Payable	<u>\$ 602,887,813</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Payments (continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Series A, Series B, Series C, Series D, and Series E included premiums of \$1,021,276; \$2,308,212; \$994,834; \$4,658,623; \$853,200; and \$10,927,374, respectively. The Measure K, Series A, Series B, and Series C bonds included premiums of \$15,098,514, \$5,279,810, and \$1,159,724, respectively. These amounts are amortized using the straight-line method. Amortization of \$1,929,498 was recognized during the 2012-13 year.

Payments – Measure A Series

The annual requirements to amortize Measure A bond payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2014	\$ 6,980,000	\$ 10,202,169	\$	\$ 17,182,169
2015	7,555,000	9,943,344		17,498,344
2016	7,845,000	9,643,225		17,488,225
2017	8,565,000	9,322,506		17,887,506
2018	9,705,000	8,942,081		18,647,081
2019-2023	60,890,000	36,922,686	1,046,697	98,859,383
2024-2028	63,220,696	30,181,221	6,562,607	99,964,524
2029-2033	63,811,599	26,857,877	18,118,401	108,787,877
2034	4,338,311	3,396,495	6,696,690	14,431,496
Total	\$ 232,910,606	\$ 145,411,604	\$ 32,424,395	\$ 410,746,605

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Payments – Measure K Series

The annual requirements to amortize Measure K bond payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2014	\$ 17,755,000	\$ 15,214,240	\$	\$ 32,969,240
2015	17,585,000	15,194,786		32,779,786
2016	11,745,000	14,666,961		26,411,961
2017	13,280,000	14,086,911		27,366,911
2018	14,965,000	13,409,811		28,374,811
2019-2023	81,581,000	55,599,545		137,180,545
2024-2028	80,845,000	30,742,868		111,587,868
2029-2033	53,975,000	15,098,328		69,073,328
2034-2038	<u>36,640,686</u>	<u>45,801,877</u>	<u>42,489,314</u>	<u>124,931,877</u>
Total	<u>\$ 328,371,686</u>	<u>\$ 219,815,327</u>	<u>\$ 42,489,314</u>	<u>\$ 590,676,327</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - OTHER ACCOUNTING DISCLOSURES:

A. Capital assets - A schedule of changes in general fixed assets for the year ended June 30, 2013, is shown below:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets Not Depreciated:				
Land	\$ 113,922,550	\$	\$	\$ 113,922,550
Work In Progress	<u>115,116,033</u>	<u>68,847,846</u>	<u>54,189,754</u>	<u>129,774,125</u>
Total capital assets not depreciated:	<u>229,038,583</u>	<u>68,847,846</u>	<u>54,189,754</u>	<u>243,696,675</u>
Capital assets depreciated:				
Land Improvements	22,161,122	647,502		22,808,624
Buildings and Improvements	711,926,979	55,334,869		767,261,848
Books and Media In Library	18,911,929	2,115,398		21,027,327
Vehicles	13,376,739	504,274	572,656	13,308,357
Machinery and Equipment	<u>54,240,600</u>	<u>1,844,604</u>	<u>1,612,835</u>	<u>54,472,369</u>
Total capital assets depreciated	<u>820,617,369</u>	<u>60,446,647</u>	<u>2,185,491</u>	<u>878,878,525</u>
Accumulated depreciation for:				
Land Improvements	15,500,857	536,282		16,037,139
Buildings and Improvements	307,967,513	13,808,222		321,775,735
Books and Media In Library	18,151,830	754,099		18,905,929
Vehicles	10,570,219	863,725	572,656	10,861,288
Machinery and Equipment	<u>47,773,816</u>	<u>2,044,217</u>	<u>1,612,835</u>	<u>48,205,198</u>
Total accumulated depreciation	<u>399,964,235</u>	<u>18,006,545</u>	<u>2,185,491</u>	<u>415,785,289</u>
Total capital assets depreciated, net	<u>420,653,134</u>	<u>42,440,102</u>	-	<u>463,093,236</u>
Governmental activities capital assets, net	<u>\$ 649,691,717</u>	<u>\$ 111,287,948</u>	<u>\$ 54,189,754</u>	<u>\$ 706,789,911</u>

Depreciation expense was allocated to the following functions:

Governmental Activities:	
Instruction	\$13,047,029
Instruction – Related Services	2,644,707
Pupil Services	345,622
General Administration	863,515
Plant Services	<u>1,105,672</u>
Net governmental activities depreciation expense	<u>\$18,006,545</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - OTHER ACCOUNTING DISCLOSURES: (continued)

B. Long-term debt - A schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance 7/1/2012 ⁽¹⁾	Additions	Deductions	Balance June 30, 2013	Amount Due in One Year
Compensated absences	\$ 10,769,601	\$	\$ 263,071	\$ 10,506,530	\$ 7,859,384
Capital Leases	1,646,651		922,987	723,664	632,072
Net OPEB obligation	40,343,783	15,499,616		55,843,399	
General obligation bonds:					
General obligation bonds payable	536,652,292	50,000,000	25,370,000	561,282,292	24,735,000
Bond premium	37,527,527	1,159,724	1,929,498	36,757,753	
Accreted interest on capital appreciation bonds	3,432,995	1,414,773		4,847,768	
Totals	\$ 630,372,849	\$ 68,074,113	\$ 28,485,556	\$ 669,961,406	\$ 33,226,456

(1) The deferred charge on refunding was removed from the beginning balance due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

For governmental activities, compensated absences and net OPEB obligations are liquidated by the General Fund. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Debt Service Fund.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 10 - INTERNAL SERVICE FUNDS:

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

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

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

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 10 - INTERNAL SERVICE FUNDS: (continued)

At June 30, 2013, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is estimated at \$44,461,474. The Self Insurance Funds currently have a combined positive fund balance of \$24,011,714. This is largely due to workers' compensation balances. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Workers' Compensation	\$ 29,124,226	\$ 10,529,083	\$ 9,454,098	\$ 30,199,211
Deductible Insurance	794,091	1,578,504	849,607	1,522,988
Health, Vision and Dental	12,724,150	49,003,375	48,988,250	12,739,275
	\$ 42,642,467	\$ 61,110,962	\$ 59,291,955	\$ 44,461,474

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, 2013

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 2012-13 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 2012-13 as 11.417% 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, 2013

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 are as follows:

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2011	\$29,493,082	100%	\$11,301,310	100%
2012	27,985,755	100%	11,460,561	100%
2013	27,311,494	100%	11,512,255	100%

NOTE 12 - ALTERNATE PENSION PLANS:

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

Plan Description and Contribution Information

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	523
Terminated plan members entitled to but not yet receiving benefits	27,873
Active plan members	2,593
 Number of participating employers	 1
 Contributions by Employee for the year	 \$888,160
Contributions by Employer for the year	\$ 71,742

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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. The District has negotiated to have participating members reinstated in PERS. LBSBMA covered pension benefits for employees that elected to participate in the plan. Employees who qualified for the plan were classified management and supervisors. The plan was established under IRS Code 401(a).

Plan Description and Contribution Information

Retirees and beneficiaries receiving benefits	43
Terminated plan members entitled to but not yet receiving benefits	79
Active plan members	0
Number of participating employers	1
Contributions by Employee for the year	\$0
Contributions by Employer for the year	\$0

Plan Financial Information

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.

	ARS	PARS	LBSBMA
Assets:			
Cash and cash equivalents	\$	\$	\$ 561,446
Investments, at fair value:			
U.S. Government obligations	19,800,228	7,082,683	
Total Assets	\$ 19,800,228	\$ 7,082,683	\$ 561,446

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 - ALTERNATE PENSION PLANS: (continued)

Plan Financial Information (continued)

	<u>ARS</u>	<u>PARS</u>	<u>LBSBMA</u>
Additions			
Contributions:			
Employer	\$	\$ 71,742	\$
Plan members		888,160	
Total Contributions	<u>-</u>	<u>959,902</u>	<u>-</u>
Investment earnings:			
Interest and dividends	<u>(11,403)</u>	<u>168</u>	<u>65</u>
Net Investment Earnings	<u>(11,403)</u>	<u>168</u>	<u>65</u>
Total Additions (Deletions)	<u>(11,403)</u>	<u>960,070</u>	<u>65</u>
Deductions:			
Benefits	349,403	217,246	152,083
Administrative expenses	<u>111,451</u>	<u>37,884</u>	<u>8,604</u>
Total Deductions	<u>460,854</u>	<u>255,130</u>	<u>160,687</u>
Change in net assets	(472,257)	704,940	(160,622)
Net assets - beginning of year	<u>20,272,485</u>	<u>6,377,743</u>	<u>722,068</u>
Net assets - end of year	<u>\$ 19,800,228</u>	<u>\$ 7,082,683</u>	<u>\$ 561,446</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS:

The District administers a single-employer defined benefit health care plan. At June 30, 2013, there were 1,208 retirees receiving medical (health) benefits under the District health plan. The District pays for the health benefit coverage of eligible retirees, including employees who retire on disability, who have attained the age of 55 and have worked for the District for at least 15 or 17 years depending on their bargaining unit. Their benefits are paid until the retiree reaches the age of 65 or 67, respectively. However, in the case of disability retirees, there is no age requirement and coverage is until the person reaches age 67 or for up to 39 months, whichever comes earlier. The District paid \$11,845,676 for the health benefits of 794 retirees that qualified for this coverage during 2012-13. The other 414 retirees received their medical benefit coverage by paying for the coverage themselves ("self-paid"). In the fiscal year ended June 30, 2013, the District collected \$3,739,558 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 currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2013, the District contributed \$11,845,676 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Annual required contribution (ARC)	\$ 27,068,000
Interest on net OPEB obligation	2,017,189
Adjustment to annual required contribution	<u>(1,739,897)</u>
Annual OPEB cost (expense)	27,345,292
Contributions made	<u>(11,845,676)</u>
Change in net OPEB obligation	15,499,616
Net OPEB obligation - Beginning of Year	<u>40,343,783</u>
Net OPEB obligation - End of Year	<u><u>\$ 55,843,399</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2011, 2012 and 2013 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 21,143,000	54%	\$ 25,245,848
6/30/2012	\$ 27,242,000	45%	\$ 40,343,783
6/30/2013	\$ 27,345,292	43%	\$ 55,843,399

Funding Status and Funding Progress

As of July 1, 2011, 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 \$329,401,000. The covered payroll (annual payroll of active employees covered by the plan) was \$433,965,000, and the ratio of the UAAL to the covered payroll was 76%. 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, 2013, the OPEB portion of the self-insurance fund's designated balance was \$4,314,854.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)

Funding Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 14 - JOINT POWERS AGREEMENTS:

The Long Beach Unified School District participates in two joint powers agreement (JPA) entities, the Alliance of Schools for Collective Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that neither of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

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

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

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

	ASCIP 6/30/2012 <u>(Audited)</u> (in thousands)	SELF 6/30/2012 <u>(Audited)</u> (in thousands)
Total assets	\$ 272,622	\$ 171,510
Total liabilities	<u>148,239</u>	<u>132,654</u>
Fund equity	\$ <u>124,383</u>	\$ <u>38,856</u>
Total revenues	\$ 186,424	\$ 15,328
Total expenditures	<u>174,074</u>	<u>11,741</u>
Net increase in fund equity	\$ <u>12,350</u>	\$ <u>3,587</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE:

There was no effect on beginning net position for the adoption of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

The beginning net position of the government-wide financial statements has been decreased by \$3,126,246 to write-off the balance of capitalized fees in accordance with the implementation of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The fees were prepaid general obligation bond issue costs that are now required to be expensed in the period incurred.

NOTE 16 – ADJUSTMENT FOR RECLASSIFICATION:

The beginning fund balance of the General Fund and the Other Governmental Funds has been reclassified as a result of the consolidation of the Deferred Maintenance Fund in accordance with the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

NOTE 17 - 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 2012-13 fiscal year and the amount remaining to be transferred is \$393,643. This is not reflected in the government wide statements since it is within the funds of the District.

B. Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 17 - COMMITMENTS AND CONTINGENCIES: (continued)

C. State and Federal Allowances, Awards, and Grants

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

D. County School Facilities Funds

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

E. Purchase Commitments

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$52.2 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
Revenue limit sources:					
State apportionments	\$ 424,615,770	\$ 296,099,832	\$ 295,938,377	\$	\$ 295,938,377
Local sources	<u>68,565,140</u>	<u>125,595,286</u>	<u>125,774,044</u>		<u>125,774,044</u>
Total revenue limit sources	493,180,910	421,695,118	421,712,421	-	421,712,421
Federal sources	65,454,113	82,390,838	65,507,959		65,507,959
Other state sources	148,933,642	152,367,201	151,564,117		151,564,117
Other local sources	<u>8,955,698</u>	<u>20,095,394</u>	<u>16,802,869</u>	46,525	<u>16,849,394</u>
Total Revenues	<u>716,524,363</u>	<u>676,548,551</u>	<u>655,587,366</u>	46,525	<u>655,633,891</u>
Expenditures					
Certificated salaries	324,767,000	334,068,797	323,424,314		323,424,314
Classified salaries	101,672,255	101,937,349	98,183,124		98,183,124
Employee benefits	162,649,152	158,030,664	150,038,643		150,038,643
Books and supplies	14,631,854	38,461,678	17,715,753	255,586	17,971,339
Services and Other Operating Expenses	69,017,912	82,272,512	73,895,636	848,226	74,743,862
Capital outlay	807,174	1,393,667	1,039,487		1,039,487
Other transfers out	162,897	118,826	125,767		125,767
Direct support/Indirect costs	<u>(1,018,447)</u>	<u>(947,158)</u>	<u>(883,645)</u>		<u>(883,645)</u>
Total Expenditures	<u>672,689,797</u>	<u>715,336,335</u>	<u>663,539,079</u>	1,103,812	<u>664,642,891</u>
Deficiency of revenues over expenditures	<u>43,834,566</u>	<u>(38,787,784)</u>	<u>(7,951,713)</u>	<u>(1,057,287)</u>	<u>(9,009,000)</u>
Other Financing Sources (Uses)					
Interfund transfers in		500,000	500,000	(500,000)	-
Interfund transfers out	<u>(7,670,667)</u>	<u>(7,068,588)</u>	<u>(5,368,588)</u>	5,104,475	<u>(264,113)</u>
Total Other Financing Source (Uses)	<u>(7,670,667)</u>	<u>(6,568,588)</u>	<u>(4,868,588)</u>	4,604,475	<u>(264,113)</u>
Net change in fund balance	<u>\$ 36,163,899</u>	<u>\$ (45,356,372)</u>	(12,820,301)	3,547,188	(9,273,113)
Fund Balance - Beginning of Year			<u>108,554,593</u>	<u>7,077,827</u>	<u>115,632,420</u>
Fund Balance - End of Year			<u>\$ 95,734,292</u>	<u>\$ 10,625,015</u>	<u>\$ 106,359,307</u>

(a) Amounts presented are the result of the District including activity of the Special Reserve fund (Other than Capital Outlay) and the Deferred Maintenance fund. (See Note 1B)

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, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	\$ -	\$ 96,257,045	\$ 96,257,045	0%	\$ 505,693,908	19%
7/1/2009	-	228,345,000	228,345,000	0%	488,786,036	47%
7/1/2011	-	329,401,000	329,401,000	0%	433,965,000	76%

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, 2013, the OPEB portion of the self-insurance fund's designated balance was \$4,314,854.

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, 2013**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison For The General Fund

GASB Statement No. 34 requires a budgetary comparison be presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

B. Schedule of Postemployment Healthcare Benefits Funding Progress

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

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

General Fund:

Other Transfers Out	\$ 6,941
Direct Support/Indirect Costs	63,513

SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2013

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

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Jon Meyer	President	July, 2016
John McGinnis	Vice President	July, 2014
Dr. Felton Williams	Member	July, 2016
Mary Stanton	Member	July, 2014
Diana Craighead	Member	July, 2014

ADMINISTRATIVE OFFICERS

Christopher Steinhauser	Superintendent of Schools
Christine Dominguez	Deputy Superintendent
James Novak	Chief Business and Financial Officer

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)

For the Fiscal Year Ended June 30, 2013

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.

The second period ADA statistics reported to the State for the fiscal year ended June 30, 2013 are as follows:

	<u>Revised Second Period</u>	<u>Revised Annual</u>		
Elementary:				
Kindergarten	5,816	5,813		
First through third grade	16,853	16,817		
Fourth through eight grade	27,677	27,585		
Opportunity schools	9	12		
Home and hospital - temporary physical disabilities	18	21		
Special Education master plan	1,788	1,790		
Special Education - nonpublic, nonsectarian schools	32	34		
Extended year special education - mandated	95	95		
Extended year - nonpublic, nonsectarian schools	4	5		
Total elementary ADA	<u>52,292</u>	<u>52,172</u>		
Secondary:				
Regular classes	23,442	23,380		
Continuation education	268	247		
Opportunity schools	8	9		
Home and hospital - temporary physical disabilities	27	32		
Special Education master plan	1,050	1,044		
Special Education - nonpublic, nonsectarian schools	144	150		
Community day school	6	6		
Extended year special education - mandated	103	103		
Extended year - nonpublic, nonsectarian schools	20	21		
Total secondary ADA	<u>25,068</u>	<u>24,992</u>		
Total Regular School ADA	<u>77,360</u>	<u>77,164</u>		
			<u>Second Period</u>	<u>Annual</u>
			<u>Classroom Based</u>	<u>Classroom Based</u>
			<u>Total</u>	<u>Total</u>
Emerson Charter School:				
Kindergarten	139	139	139	139
First through third grade	339	339	338	338
Fourth through eight grade	207	207	208	208
Total Charter School ADA	<u>685</u>	<u>685</u>	<u>685</u>	<u>685</u>
Total ADA	<u>78,045</u>	<u>77,849</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, 2013**

Grade Level	1986-87	1986-87	1982-83	1982-83	2012-13	Number of Days Traditional Calendar	Status
	Minutes Requirement	Minutes Reduced	Actual Minutes	Minutes Reduced	Actual Minutes		
Kindergarten	36,000	35,000	31,747	30,865	36,000	180	In Compliance
Grade 1	50,400	49,000	49,930	48,543	50,562	180	In Compliance
Grade 2	50,400	49,000	49,930	48,543	50,562	180	In Compliance
Grade 3	50,400	49,000	49,930	48,543	50,600	180	In Compliance
Grade 4	54,000	52,500	52,110	50,663	54,055	180	In Compliance
Grade 5	54,000	52,500	52,110	50,663	54,055	180	In Compliance
Grade 6	54,000	52,500	52,110	50,663	55,680	180	In Compliance
Grade 7	54,000	52,500	52,110	50,663	55,680	180	In Compliance
Grade 8	54,000	52,500	52,110	50,663	55,680	180	In Compliance
Grade 9	64,800	63,000	64,800	63,000	64,950	180	In Compliance
Grade 10	64,800	63,000	64,800	63,000	64,950	180	In Compliance
Grade 11	64,800	63,000	64,800	63,000	64,950	180	In Compliance
Grade 12	64,800	63,000	64,800	63,000	64,850	180	In Compliance

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME - EMERSON CHARTER SCHOOL
For the Fiscal Year Ended June 30, 2013**

<u>Grade Level</u>	<u>2012-13 Minutes</u>			<u>Status</u>
	<u>Normal Requirement</u>	<u>Reduced Requirement</u>	<u>Actual Minutes</u>	
Kindergarten	36,000	34,971	56,820	In Compliance
Grade 1	50,400	48,960	52,450	In Compliance
Grade 2	50,400	48,960	52,450	In Compliance
Grade 3	50,400	48,960	52,450	In Compliance
Grade 4	54,000	52,547	54,055	In Compliance
Grade 5	54,000	52,547	54,055	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, 2013

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Categorical Aid Programs:			
Department of Education:			
Direct Programs			
Indian Education	84.060	(1)	\$ 15,049
GEAR UP	84.334A	(1)	3,071,799
Smaller Learning Communities	84.215L	(1)	1,058,297
The C.O.R.E of American History Grant	84.215X	(1)	291,686
School Leadership Program	84.363A	(1)	527,793
S.P.A.R.K.	84.359B	(1)	<u>290,247</u>
Subtotal: Direct Programs			<u>5,254,871</u>
Pass-Through Programs From California Department of Education			
Special Education Cluster			
IDEA Basic Local Assistance Entitlement	84.027	13379	13,200,794
IDEA Basic Local Assist - Private School	84.027	10115	100,864
Federal Preschool Grants	84.173A	13430	322,101
Preschool Local Entitlement	84.027A	13682	950,505
IDEA Mental Health Allocation Plan, Part B Sec 611	84.027A	14468	417,189
Preschool Staff Development	84.173A	13431	2,839
Early Intervention	84.181	23761	264,596
Alternative Dispute Resolution	84.027A	13007	<u>15,000</u>
Subtotal Special Education Cluster			15,273,888
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	33,897,108
Title II, Part A, Improving Teacher Quality	84.367	14341	4,671,594
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	25,234
Migrant Education	84.011	14838	575,851
Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	84.048	14893	43,889
Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	84.048	14894	691,710
Adult Education Cluster			
Adult Basic Education and ESL	84.002A	14508	184,324
Adult Secondary Education	84.002A	13978	78,331
English Literacy and Civics Education	84.002A	14109	<u>142,161</u>
Subtotal Adult Education Cluster			404,816
Title IV, Part B, 21st Century Learning Centers	84.287	14349	1,345,861
Title III, Immigrant Education	84.365	15146	156,860
Title III, Limited English Proficient Children	84.365	14346	1,449,699
No Child Left Behind: Title X McKinney - Vento Homeless Children Assistance Grants	84.196	14332	207,738
Advance Placement Fee	84.330	14831	<u>226,385</u>
Subtotal: California Department of Education			<u>58,970,633</u>
Pass-Through Program From California Department of Rehabilitation			
Dept of Rehab: Workability II, Transition Partnership	84.158	10006	<u>377,081</u>
Pass-Through Program From the City of Long Beach			
Even Start Family Literacy	84.213	14331	<u>15,187</u>
Subtotal: The City of Long Beach			<u>15,187</u>
Total: U.S. Department of Education			<u>64,617,772</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, 2013

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Programs			
Head Start	93.600	10016	43,258
Head Start - Early	93.600	(1)	1,801,665
Head Start - Basic Grant	93.600	(1)	15,392,848
Head Start - Training & Tech Assistance	93.600	(1)	157,569
Subtotal: Direct Programs			<u>17,395,340</u>
Pass-Through Program From California Department of Education			
Child Development: Federal Child Care	93.596	13609	<u>2,246,813</u>
Pass-Through Program From California Department of Health Services			
Medi-Cal	93.778	10013	1,176,663
Medi-Cal - Administrative	93.778	10600	436,095
Subtotal: California Department of Health Services			<u>1,612,758</u>
Total: U.S. Department of Health and Human Services			<u>21,254,911</u>
Department of Transportation			
Direct Program			
Garrett A. Morgan Technology and Transportation Education Program	20.215	(1)	<u>87,808</u>
Department of Defense:			
Direct Program			
Reserve Officers Training Corps	12.000	(1)	<u>168,762</u>
Department of Agriculture:			
Pass-Through Program From California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13523	20,613,930
Especially Needy Breakfast	10.553	13526	5,836,003
Basic School Breakfast	10.553	13525	35,458
Federal Snack Program	10.000	(1)	494,354
Subtotal Child Nutrition Cluster			<u>26,979,745</u>
Child and Adult Care Food Program	10.558	13529	671,159
Cash In Lieu of Commodities	10.558	13534	36,515
Total: Department of Agriculture			<u>27,687,419</u>
Total Federal Program Expenditures			<u>113,816,672</u>
Reconciliation to Federal Revenues:			
Expenditure in excess of revenue related to Federal Entitlements			
Advance Placement Fee	84.330	14831	(148,966)
Revenue in excess of expenditure related to Federal Entitlements			
Medi-Cal	93.778	10013	316,171
Medi-Cal - Administrative	93.778	10600	(436,095)
Child and Adult Care Food Program	10.558	13529	56,086
Other Federal Revenue			
Qualified School Construction Bonds			3,829,168
Total Federal Revenue			<u>\$ 117,433,036</u>

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

The District is the recipient of a Federal award program that does not result in cash receipts or disbursements.
The District was granted \$2,123,247 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,

	(Budget) 2014		2013		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue								
Revenue Limit Sources	\$ 415,738,536	59.9	\$ 421,712,421	63.0	\$ 424,895,844	61.5	\$ 430,079,318	61.7
Federal	64,581,921	9.3	65,507,959	9.8	91,719,466	13.3	99,876,960	14.3
State	150,599,433	21.7	151,564,117	22.7	152,207,978	22.0	160,528,568	23.0
County and Local	11,880,113	1.7	16,802,869	2.5	20,709,263	3.0	16,802,486	2.4
Other Sources			500,000	-	32,995	-		
Total Revenue	642,800,003	92.6	656,087,366	98.0	689,565,546	99.8	707,287,332	101.4
Expenditures								
Certificated Salaries	324,575,964	46.8	323,424,314	48.4	330,548,598	47.9	347,284,923	49.8
Classified Salaries	99,389,243	14.3	98,183,124	14.7	102,453,946	14.8	101,370,718	14.5
Employee Benefits	157,727,989	22.7	150,038,643	22.4	162,539,394	23.5	157,625,864	22.6
Books and Supplies	30,929,054	4.5	17,715,753	2.6	15,590,618	2.3	15,668,356	2.2
Services and Other Operating Expenses	77,516,382	11.2	73,895,636	11.0	77,130,412	11.2	70,996,427	10.2
Capital Outlay	1,270,842	0.2	1,039,487	0.2	1,405,262	0.2	1,827,126	0.3
Other Transfers Out	162,897	-	125,767	-	178,911	-	177,922	-
Direct Support/Indirect Costs	(969,584)	(0.1)	(883,645)	(0.1)	(1,177,479)	(0.2)	(1,563,311)	(0.2)
Interfund Transfers Out	2,935,545	0.4	5,368,588	0.8	2,271,141	0.3	3,940,833	0.6
Total Expenditures	693,538,332	100.0	668,907,667	100.0	690,940,803	100.0	697,328,858	100.0
Change in Fund Balance	\$ (50,738,329)	(7.3)	\$ (12,820,301)	(1.9)	\$ (1,375,257)	(0.2)	\$ 9,958,474	1.4
Ending Fund Balance	\$ 44,995,963	6.5	\$ 95,734,292	14.3	\$ 108,554,593	15.7	\$ 109,929,850	15.8
Available Reserve	\$ 13,870,767	2.0	\$ 13,378,155	2.0	\$ 13,818,815	2.0	\$ 13,946,577	2.0
Recommended Reserve Percentage		2.0		2.0		2.0		2.0
Average Daily Attendance	76,760		77,360		79,077		80,039	
Total Long-Term Debt	\$ 636,734,950		\$ 669,961,406		\$ 625,850,848		\$ 631,546,436	

IMPORTANT NOTES:

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

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

2014 budget is the original adopted budget.

All percentages are of total expenditures.

Average daily attendance is based upon P-2.

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Fiscal Year Ended June 30, 2013

<u>Charter School</u>	<u>Included in District Audit Report</u>
Emerson Charter School	Yes
The New City 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, 2013

There were no differences between the fund balances reported on the June 30, 2013 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, 2013

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 Instructional Time – Emerson Charter School

This schedule presents information on the amount of instructional time offered by the charter school and whether they complied with the provisions of Education Code Sections 46200 through 46206.

D. Schedule of Expenditures of Federal Awards

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

E. Schedule of Financial Trends and Analysis

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013**

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Schedule of Charter Schools

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

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

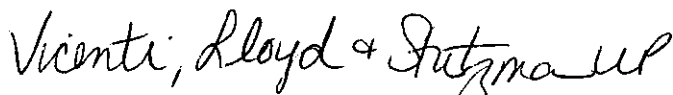
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

November 15, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Long Beach Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

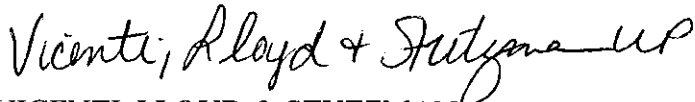
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

November 15, 2013



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Long Beach Unified School District's compliance with the types of compliance requirements described in the *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2013. The District's State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 the *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. However, our audit does not provide a legal determination of the District's compliance

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Continuation education	10	Yes
Independent study	23	Yes
Instructional time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes ¹
Mode of instruction	1	Yes ¹
Nonclassroom-based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes ¹

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

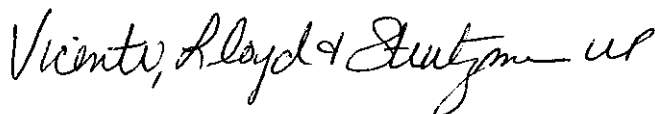
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the Long Beach Unified School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 15, 2013

FINDINGS AND RECOMMENDATIONS

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS**

June 30, 2013

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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>
84.334A	GEAR UP
84.027, 84.027A, 84.173A, 84.181	Special Education Cluster
93.600	Head Start, Head Start Early, Head Start Basic Grant, and Head Start Training and Tech Assistance

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
June 30, 2013

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

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

There were no findings and questioned costs related to basic financial statements, federal awards or state awards for the year ended June 30, 2013.

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

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2013

FINDING 12-01 – INDEPENDENT STUDY RATIO

40000

Finding: California Education Code 51745.6 requires that the ratio of average daily attendance (ADA) for independent study pupils 18 years of age or less to school district full-time equivalent (FTE) certificated employees responsible for independent study cannot exceed the equivalent ratio of pupils to full-time certificated employees for all other education programs operated by the District. Our testing identified that the District's independent study ratio exceeds the ratio of pupils to full-time certificated employees for all other education programs by one.

Questioned Costs: Ratio of 1 x 32 FTE = 32 excess ADA x \$5,167.05 (Deficited Base Revenue Limit) = \$165,346.

Recommendation: Revise and submit the second-period attendance report to the California Department of Education to exclude the excess ADA. In addition, the District should establish procedures to monitor the Independent Study Ratio on a regular basis.

Current Status: Implemented