

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**LOS ANGELES COUNTY**

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

**June 30, 2009**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
June 30, 2009**

**CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	i-ix
<b>FINANCIAL SECTION</b>	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	1
Statement of Activities .....	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	6
Statement of Fund Net Assets – Proprietary Funds .....	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	8
Statement of Cash Flows – Proprietary Funds .....	9
Statement of Net Assets – Fiduciary Funds .....	10
Statement of Changes in Fund Net Assets – Fiduciary Funds .....	11
Notes to Financial Statements .....	12-56
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Budgetary Comparison for the General Fund .....	57-58
Schedule of Budgetary Comparison for the Cafeteria Fund .....	59-60
Schedule of Postemployment Healthcare Benefits Funding Progress .....	61
Notes to Required Supplementary Information .....	62



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
June 30, 2009**

**CONTENTS**

	<u>Page</u>
<b>SUPPLEMENTARY INFORMATION</b>	
History and Organization.....	63
Schedule of Average Daily Attendance (ADA) .....	64
Schedule of Instructional Time.....	65
Schedule of Expenditures of Federal Awards.....	66-67
Schedule of Financial Trends and Analysis.....	68
Schedule of Charter Schools.....	69
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements .....	70
Notes to Supplementary Information.....	71-72
<b>OTHER INDEPENDENT AUDITORS' REPORTS</b>	
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.....	73-75
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	76-77
Report on State Compliance .....	78-80
<b>FINDINGS AND RECOMMENDATIONS</b>	
Schedule of Findings and Questioned Costs - Summary of Auditor Results .....	81
Schedule of Findings and Questioned Costs - Related to Financial Statements .....	82-84
Schedule of Findings and Questioned Costs - Related to Federal Awards .....	85
Status of Prior Year Findings and Questioned Costs.....	86-91
Management Letter .....	92-93



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds, and the aggregate remaining fund information of the Long Beach Unified School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of the Long Beach Unified School District as of June 30, 2009, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009 on our consideration of the Long Beach Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Long Beach Unified School District

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach Unified School District basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Long Beach Unified School District. The supplementary section including the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
VICENTI, LLOYD & STUTZMAN LLP

November 6, 2009

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

This section of Long Beach Unified School District's annual financial report presents a **discussion and analysis** of the District's financial performance during the fiscal year ended June 30, 2009. 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 the 2003-04 national winner of the \$500,000 Broad Prize for Urban Education, recognizing America's best urban school system for increasing student achievement. LBUSD was one of the top five finalists for the 2009 prize and became the first former winner to return to the competition as a finalist. No other district has been a finalist every year it has been eligible.

Established in 1885 with fewer than a dozen students meeting in a borrowed tent, LBUSD now educates 87,000 students in 93 public schools in the cities of Long Beach, Lakewood, Signal Hill, and Avalon on Catalina Island. The third largest school district 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 8,000 people, making it the largest employer in Long Beach.

**Financial Highlights**

1. Overall revenues and other financing sources totaled \$859.3 million or \$1.5 million more than expenditures.
2. Overall the District's net assets increased by \$1.5 million or .35% over the course of the year.
3. The District increased its overall outstanding long-term debt by \$253.8 million. Most of this increase was a result of the issuance of approximately \$289 million in Measure K Series A and Measure A Series G general obligation bonds. In addition, the District paid off its Certificates of Participation in the amount of \$50.8 million and refunded portions of Series A-D of the Measure A general obligation bonds.
4. The District's unfunded liability for workers' compensation became fully funded in fiscal year 2008-09 from an unfunded liability of over \$38 million in 2003-04.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

**Overview of the Financial Statements**

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

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

The financial statements also include notes that provide explanations or more detailed information. The financial statements comparing the District's General Fund budgeted to actual amounts for the year are supplemented by a narrative on significant variances starting on page vi (see pages 57-58).



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

**District-Wide Statements**

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

The following District-wide statements report on the District's net assets and how they have changed during the 2008-09 fiscal year. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health.

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

**Summary of Statement of Net Assets**

	<u>As of</u> <u>6/30/2008</u>	<u>As of</u> <u>6/30/2009</u>	<u>Variance</u>
Non-Capital Assets	\$ 276,328,431	\$ 545,694,509	97.48%
Capital Assets	<u>575,915,023</u>	<u>577,547,784</u>	0.28%
Total Assets	<u>852,243,454</u>	<u>1,123,242,293</u>	31.80%
Current Liabilities	125,738,030	138,210,074	9.92%
Long-term Liabilities	<u>288,704,870</u>	<u>545,703,617</u>	89.02%
Total Liabilities	<u>414,442,900</u>	<u>683,913,691</u>	65.02%
Invested In Capital Assets, Net of Related Debt	295,398,657	267,753,694	-9.36%
Net Assets Legally Restricted	66,031,775	74,672,772	13.09%
Net Assets Unrestricted	<u>76,370,122</u>	<u>96,902,136</u>	26.88%
Total Net Assets	<u>\$ 437,800,554</u>	<u>\$ 439,328,602</u>	0.35%

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

The District's combined net assets increased to \$439.3 million or .35% during fiscal year 2008-09. The overall increase in total assets and liabilities is due to the issuance of approximately \$289 million in general obligation bonds for Measure A and Measure K in fiscal year 2008-09. This bond issuance increased the Non-Capital Assets and the Long-Term Liabilities.

**Summary of Statement of Activities**

	<u>2007-08</u>	<u>2008-09</u>	<u>Variance</u>
Program Revenues:			
Charges for Services	\$ 10,392,722	\$ 9,526,286	-8.34%
Operating Grants and Contributions	292,088,343	304,384,223	4.21%
Capital Grants and Contributions	386,721	26,222	-93.22%
General Revenues:			
Property Taxes	84,777,439	94,115,860	11.02%
Federal and State Aid Unrestricted	480,894,037	437,790,589	-8.96%
Interest, Investment and Miscellaneous	17,027,533	13,480,340	-20.83%
Total Revenues	<u>885,566,795</u>	<u>859,323,520</u>	-2.96%
Instruction and Related Services	644,741,834	602,214,561	-6.60%
Pupil Services	98,963,149	94,622,375	-4.39%
General Administration	36,701,794	34,706,748	-5.44%
Ancillary, Community, and Enterprise Activities	10,526,826	9,576,205	-9.03%
Plant Services	103,701,274	98,767,391	-4.76%
Debt Service	13,972,799	18,883,535	35.14%
Other Outgo	612,390	(975,343)	
Total Expenses	<u>909,220,066</u>	<u>857,795,472</u>	-5.66%
Change in Net Assets	<u>(23,653,271)</u>	<u>1,528,048</u>	
Net Assets, Beginning	<u>461,453,825</u>	<u>437,800,554</u>	
Net Assets, Ending	<u>\$ 437,800,554</u>	<u>\$ 439,328,602</u>	0.35%



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

Total revenues decreased by \$26.2 million between fiscal years. The decrease was the result of decreased Unrestricted State Aid, offset by an increase to operating grants and contributions. This category was higher due to the receipt of Federal stimulus monies received in 2008-09.

Expenses also decreased in 2008-09 largely due to the budget reduction measures that the District implemented to prepare for the decreased revenues.

**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, 2009**

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

As the District completed the year, its governmental funds reported combined fund balances of \$412.2 million, compared to last year's combined ending balances of \$162.1 million. The Building Fund ending balance increased to \$249.4 million between years as a result of the issuance of Measure K and Measure A bond funds.

During fiscal year 2008-09, those funds where expenditures exceeded revenues were: Adult Education (\$.99 million), Deferred Maintenance (\$7.4 million), Building Fund (\$9.4 million) Capital Facilities (\$51.3 million), and County School Facilities (\$.52 million). Although the building funds had expenses in excess of revenues, the source of the payments was unspent bond or state revenues received in prior years.

**General Fund Budgetary Highlights**

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

**Revenue**

- Federal Revenue...the entire amount of grants and entitlements are budgeted, even though funding periods may have extended into the subsequent fiscal year. The federal fiscal year ends September 30. Unspent revenues are deferred and made available in 2009-10 to continue program activities.
- Other Local Sources...the entire amount of grants and entitlements are budgeted, even though funding periods may have extended into the subsequent fiscal year.

**Salary related expenditures**

- Certificated Salaries...the District has been closely monitoring staffing levels and adjusting budget based on actual salary expenditures.
- Classified Salaries...the District continued its focus on controlling staffing levels and hourly assignments. This resulted in another year of decreased expenses compared to budget.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

**Non-Salary related expenditures**

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

**Summary of General Fund Budgetary Highlights**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Revised Final Budget - Positive (Negative)</u>	
	<u>Original</u>	<u>Revised Final</u>			
<b>Revenues:</b>					
Revenue Limit Sources	\$ 488,060,625	\$ 474,287,390	\$ 474,287,390	\$ -	0%
Federal Sources	83,548,138	155,507,518	118,738,717	(36,768,801)	-24%
Other State Sources	159,680,753	168,456,484	152,886,609	(15,569,875)	-9%
Other Local Sources	<u>15,132,512</u>	<u>22,703,592</u>	<u>16,876,560</u>	<u>(5,827,032)</u>	<u>-26%</u>
<b>Total Revenues</b>	<u>746,422,028</u>	<u>820,954,984</u>	<u>762,789,276</u>	<u>(58,165,708)</u>	
<b>Expenditures:</b>					
Certificated Salaries	377,075,806	397,633,949	380,029,339	17,604,610	4%
Classified Salaries	113,217,009	119,331,308	115,656,009	3,675,299	3%
Employee Benefits	161,040,935	165,513,729	157,767,199	7,746,530	5%
Books & Supplies	24,269,546	86,346,324	20,170,391	66,175,933	77%
Services, Other Operating Expenses	73,929,830	107,991,874	75,945,565	32,046,309	30%
Capital Outlay	2,430,220	3,964,082	2,557,968	1,406,114	35%
Other Outgo	6,118,234	4,832,073	190,283	4,641,790	96%
Direct Support/Indirect Costs	<u>(1,897,886)</u>	<u>(1,756,433)</u>	<u>(1,750,343)</u>	<u>(6,090)</u>	<u>0%</u>
<b>Total Expenditures</b>	<u>756,183,694</u>	<u>883,856,906</u>	<u>750,566,411</u>	<u>133,290,495</u>	<u>15%</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(9,761,666)</u>	<u>(62,901,922)</u>	<u>12,222,865</u>	<u>75,124,787</u>	<u>-119%</u>
<b>Other Financing Sources (Uses):</b>					
Transfer In	-	7,346,270	7,346,270	-	0%
Contributions	-	482,265	482,265	-	0%
Transfer out	<u>(340,762)</u>	<u>(8,393,548)</u>	<u>(8,393,548)</u>	<u>-</u>	<u>0%</u>
<b>Net Change in Fund Balances</b>	<u>\$ (10,102,428)</u>	<u>\$ (63,466,935)</u>	<u>11,657,852</u>	<u>\$ 75,124,787</u>	
<b>Fund Balances - July 1, 2008</b>			<u>79,187,257</u>		
<b>Fund Balance - June 30, 2009</b>			<u>\$ 90,845,109</u>		

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

**Capital Assets and Long-Term Debt (See page 41)**

**Capital Assets**

By the end of fiscal year 2008-09, the District had invested \$933.5 million in a broad range of capital assets, including land, land improvements, buildings, vehicles, machinery and equipment. This amount represents an increase of \$15.9 million, or 2% from last year. Depreciation expense for the year totaled \$15.8 million.

**Long-Term Debt**

At year-end, the District had \$560.5 million in long-term debt. General Obligation Bonds accounted for \$544.9 million, including related premium and accreted interest. The remaining \$15.6 million represents the value of accumulated employee vacation time and the net OPEB obligation. During the year Certificates of Participation were paid off.

**Economic Factors That May Affect the Future**

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

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

**Contacting the District's Financial Management**

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

**FUNDS AND DEFINITIONS OF ACCOUNTING TERMS**

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

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

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

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

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

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

## **FINANCIAL SECTION**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2009**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 410,399,655
Cash on hand and in banks	6,570,798
Cash in revolving fund	1,234,985
Cash collections awaiting deposit	5,372
Accounts receivable:	
Federal and state governments	114,260,174
Local governments	2,754,225
Miscellaneous	5,542,644
Inventories	1,915,905
Prepaid expenditures	290,360
Capitalized fees	2,720,391
Land	112,655,482
Work in progress	15,785,475
Depreciable assets, net	<u>449,106,827</u>
<b>Total Assets</b>	<b><u>1,123,242,293</u></b>
<b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	38,295,992
Deferred revenue	20,963,384
Estimated liability for open claims and IBNR's	57,563,645
Current portion of long-term liabilities:	
General obligation bonds	6,260,000
General obligation bonds-accrued interest	6,565,203
Compensated absences	8,561,850
Non-current portion of long-term liabilities:	
General obligation bonds	538,650,637
Compensated absences	2,287,256
Other postemployment benefits	<u>4,765,724</u>
<b>Total Liabilities</b>	<b><u>683,913,691</u></b>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	267,753,694
Restricted for:	
Debt service	26,467,505
Educational programs	48,205,267
Unrestricted	<u>96,902,136</u>
<b>Total Net Assets</b>	<b><u>\$ 439,328,602</u></b>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2009**

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Assets</b>
					<b>Governmental Activities</b>
<b>Governmental Activities</b>					
Instruction	\$ 514,575,426	\$ 426,077	\$ 176,790,269	\$	\$ (337,359,080)
Instruction - related services	87,639,135	77,766	38,972,165		(48,589,204)
Pupil services	94,622,375	6,079,998	61,290,603		(27,251,774)
Ancillary services	958,576	199	524		(957,853)
Community services	8,399,141	297	622,680		(7,776,164)
Enterprise activities	218,488	3,742	9,826		(204,920)
General administration	34,706,748	95,088	9,404,775	26,222	(25,180,663)
Plant services	98,767,391	793,489	11,715,629		(86,258,273)
Other outgoing	(975,343)	2,049,630	5,577,752		8,602,725
Debt service - interest	18,883,535				(18,883,535)
<b>Total School District</b>	<b>\$ 857,795,472</b>	<b>\$ 9,526,286</b>	<b>\$ 304,384,223</b>	<b>\$ 26,222</b>	<b>(543,858,741)</b>
 <b>General Revenues</b>					
Property taxes levied for					
General purposes					
					74,133,874
Debt service					
					16,973,317
Other specific purposes					
					3,008,669
Federal and state aid not restricted to specific purposes					
					437,790,589
Interest and investment earnings					
					2,060,438
Miscellaneous					
					11,419,902
<b>Total General Revenues and Special Items</b>					
					<b>545,386,789</b>
Change in net assets					
					1,528,048
<b>Net Assets - Beginning of Year</b>					
					<b>437,800,554</b>
<b>Net Assets - End of Year</b>					
					<b>\$ 439,328,602</b>

See the accompanying notes to the financial statements.



LONG BEACH UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash in county treasury	\$ 46,840,487	\$ 1,201,717	\$ 248,266,952	\$ 76,395,259	\$ 372,704,415
Cash on hand and in banks		6,570,798			6,570,798
Cash in revolving fund	403,650	1,335			404,985
Cash collections awaiting deposit		5,372			5,372
Accounts receivable:					
Federal and state governments	104,756,386	6,320,240		3,183,548	114,260,174
Local governments	499,272			67,231	566,503
Miscellaneous	3,406,801	85,401	769,154	673,724	4,935,080
Due from other funds	17,482,746	508,998	376,457	3,268,657	21,636,858
Inventories	705,353	1,210,552			1,915,905
Prepaid expenditures	290,360				290,360
<b>Total Assets</b>	<b>\$ 174,385,055</b>	<b>\$ 15,904,413</b>	<b>\$ 249,412,563</b>	<b>\$ 83,588,419</b>	<b>\$ 523,290,450</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 29,434,201	\$ 817,862	\$ 3,446,339	\$ 2,045,780	\$ 35,744,182
Due to other funds	33,219,613	11,782,818	4,284,475	5,016,149	54,303,055
Deferred revenue	20,886,132			77,252	20,963,384
<b>Total Liabilities</b>	<b>83,539,946</b>	<b>12,600,680</b>	<b>7,730,814</b>	<b>7,139,181</b>	<b>111,010,621</b>
<b>Fund Balances</b>					
Restricted for debt service				26,467,505	26,467,505
Reserved for special purposes	1,399,363	1,211,887			2,611,250
Restricted for special purposes	48,228,554			379,944	48,608,498
Designated for:					
Economic uncertainties	15,179,151				15,179,151
Special purposes	20,867,395				20,867,395
Contingencies	5,170,646	2,091,846	241,681,749	49,601,789	298,546,030
<b>Total Fund Balances</b>	<b>90,845,109</b>	<b>3,303,733</b>	<b>241,681,749</b>	<b>76,449,238</b>	<b>412,279,829</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 174,385,055</b>	<b>\$ 15,904,413</b>	<b>\$ 249,412,563</b>	<b>\$ 83,588,419</b>	<b>\$ 523,290,450</b>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS**

**June 30, 2009**

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

Total fund balance - governmental funds	\$ 412,279,829
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$933,561,523 and the accumulated depreciation is \$356,013,739. The net value of capital assets is -	577,547,784
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.	2,187,722
The accrued interest for general obligation bonds is -	(6,565,203)
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.	11,683,546
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	\$(525,070,606)
Unmatured Premium General Obligation Bonds, net of issuance costs	(16,702,445)
Accreted Interest on Capital Appreciation Bonds	(417,195)
Compensated Absences Payable	(10,849,106)
Net Other Postemployment Benefits Obligation	<u>(4,765,724)</u>
	(557,805,076)
Total net assets - governmental activities	\$ <u>439,328,602</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, 2009

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Revenue limit sources:					
State apportionments	\$ 397,251,324	\$	\$	\$	\$ 397,251,324
Charter schools general purpose entitlement	2,831,230				2,831,230
Local sources	<u>74,204,836</u>			16,995,511	<u>91,200,347</u>
Total revenue limit sources	474,287,390	-	-	16,995,511	491,282,901
Federal sources	118,738,717	24,632,720		18,889,282	162,260,719
Other state sources	152,886,609	2,003,503		17,505,330	172,395,442
Other local sources	<u>16,876,560</u>	<u>6,931,819</u>	<u>1,625,611</u>	<u>7,820,596</u>	<u>33,254,586</u>
<b>Total Revenues</b>	<u>762,789,276</u>	<u>33,568,042</u>	<u>1,625,611</u>	<u>61,210,719</u>	<u>859,193,648</u>
<b>Expenditures</b>					
Instruction	478,091,566			22,122,120	500,213,686
Instruction - related services	80,958,415			5,839,471	86,797,886
Pupil services	61,033,883	30,037,822		3,530,491	94,602,196
Ancillary services	957,339				957,339
Community services	8,378,981			850	8,379,831
Enterprise	20,545	209,031			229,576
General administration	36,083,381	366,182		1,384,166	37,833,729
Plant services	84,852,018	2,699,877	11,064,935	14,711,384	113,328,214
Other outgo	190,283				190,283
Debt service				<u>73,178,416</u>	<u>73,178,416</u>
<b>Total Expenditures</b>	<u>750,566,411</u>	<u>33,312,912</u>	<u>11,064,935</u>	<u>120,766,898</u>	<u>915,711,156</u>
Excess (Deficiency) of revenues over expenditures	<u>12,222,865</u>	<u>255,130</u>	<u>(9,439,324)</u>	<u>(59,556,179)</u>	<u>(56,517,508)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in	7,346,270	252,106		62,491,442	70,089,818
Proceeds from sale of general obligation bonds			289,995,606	86,207,835	376,203,441
Deposit to refunding bond escrow agent				(69,565,084)	(69,565,084)
Interfund transfers out	(8,393,548)		(54,350,000)	(7,346,270)	(70,089,818)
Contributions	<u>482,265</u>			<u>(482,265)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(565,013)</u>	<u>252,106</u>	<u>235,645,606</u>	<u>71,305,658</u>	<u>306,638,357</u>
Net changes in fund balances	11,657,852	507,236	226,206,282	11,749,479	250,120,849
<b>Fund Balances - Beginning of Year</b>	<u>79,187,257</u>	<u>2,796,497</u>	<u>15,475,467</u>	<u>64,699,759</u>	<u>162,158,980</u>
<b>Fund Balances - End of Year</b>	<u>\$ 90,845,109</u>	<u>\$ 3,303,733</u>	<u>\$ 241,681,749</u>	<u>\$ 76,449,238</u>	<u>\$ 412,279,829</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, 2009**

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

Net change in fund balances-total governmental funds		\$ 250,120,849
<p>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</p>		
Capital asset additions	\$ 17,397,196	
Donated asset additions	24,000	
Depreciation expense	<u>(15,788,435)</u>	1,632,761
<p>The District utilizes Certificates of Participation (COPs) as a mechanism for providing capital to purchase equipment, finance construction projects, or refinance existing leases. Repayments of certificates of participation are reported as expenses in the governmental funds but are reported as a reduction of a liability in the government-wide statements.</p>		
		50,825,000
<p>The governmental funds report bond proceeds as another 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:</p>		
General obligation bond proceeds and premium, including refunding bonds	(376,203,441)	
Repayment of bond principal, including refunded bonds	73,475,000	
Net increase in accreted interest	(417,195)	
Capitalization of issuance costs	2,720,391	
Net increase in accrued interest expense	<u>(1,589,989)</u>	
Change in long-term bond liability		(302,015,234)
<p>In the statement of activities, certain operating expenses - compensated absences (vacations), - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$138,914.</p>		
		(138,914)
<p>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:</p>		
		76,655
<p>Internal service funds are used by the District to manage the District's Self-Insurance Fund. The net income of \$2,390,822 is reported with governmental activities.</p>		
		2,390,822
<p>Increase in postemployment benefits other than pensions (OPEB)</p>		
		<u>(1,363,891)</u>
Change in net assets of governmental activities		<u>\$ 1,528,048</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS

June 30, 2009

	<u>Governmental Activities</u>
	<u>Self Insurance Funds</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 37,695,240
Cash in revolving fund	830,000
Accounts receivable:	
Miscellaneous	607,564
Due from other funds	<u>32,997,582</u>
<b>Total Assets</b>	<u>72,130,386</u>
 <b><u>Liabilities</u></b>	
Accounts payable	2,551,810
Due to other funds	331,385
Estimated liability for open claims and IBNRs	<u>57,563,645</u>
<b>Total Liabilities</b>	<u>60,446,840</u>
 <b><u>Net Assets</u></b>	
Unrestricted	<u>11,683,546</u>
<b>Total Net Assets</b>	<u>\$ 11,683,546</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

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

**For the Fiscal Year Ended June 30, 2009**

	<b>Governmental Activities</b>
	<b>Self Insurance Funds</b>
<b>Operating Revenues</b>	
Self-insurance premiums	\$ 75,897,318
Other local revenues	1,045
<b>Total Operating Revenues</b>	75,898,363
<b>Operating Expenditures</b>	
Salaries	558,512
Benefits	217,604
Other supplies	51,401
Payments for health and welfare claims	73,817,005
<b>Total Operating Expenditures</b>	74,644,522
Operating Income	1,253,841
<b>Non-Operating Revenues</b>	
Interest income	1,136,981
<b>Total Non-Operating Revenues</b>	1,136,981
Change in net assets	2,390,822
<b>Net Assets - Beginning of Year</b>	9,292,724
<b>Net Assets - End of Year</b>	\$ 11,683,546

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, 2009**

	<u>Governmental Activities Self Insurance Fund</u>
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums and other revenues	\$ 56,157,534
Cash paid for claims and operating expenses	<u>(76,033,707)</u>
Net cash used by operating activities	(19,876,173)
<b>Cash Flows from Investing Activities and Other Sources</b>	
Interest income	<u>1,406,067</u>
Net cash provided by investing activities and other sources	<u>1,406,067</u>
Net decrease in cash and cash equivalents	(18,470,106)
Cash and cash equivalents - July 1, 2008	<u>56,995,346</u>
<b>Cash and cash equivalents - June 30, 2009</b>	<u>\$ 38,525,240</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities</b>	
<b>Operating Income</b>	<u>\$ 1,253,841</u>
Adjustments to reconcile operating income to net cash used by operating activities:	
Decrease in accounts receivable	2,259,786
(Increase) in due from other funds	(22,000,615)
(Decrease) in accounts payable	(728)
(Decrease) in due to other funds	(702,288)
(Decrease) in estimated claims	<u>(686,169)</u>
Total adjustments	<u>(21,130,014)</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ (19,876,173)</u>
Cash balances at June 30, 2009 consisted of the following:	
Cash in county treasury	\$ 37,695,240
Cash in revolving fund	<u>830,000</u>
Total cash balances at June 30, 2009	<u>\$ 38,525,240</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS

June 30, 2009

	<u>Associated Student Body Funds</u>
<b><u>Assets</u></b>	
Cash on hand and in banks	\$ 5,284,114
Accounts receivable:	
Miscellaneous	22,762
Stores inventory	38,221
Other assets	<u>2,815</u>
<b>Total Assets</b>	<u>5,347,912</u>
<b><u>Liabilities</u></b>	
Accounts payable	193,675
Funds held in trust	<u>3,415,518</u>
<b>Total Liabilities</b>	<u>3,609,193</u>
<b><u>Net Assets</u></b>	
Unrestricted	<u>1,738,719</u>
<b>Total Net Assets</b>	<u>\$ 1,738,719</u>

See the accompanying notes to the financial statements.



LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FUND NET ASSETS - FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	<u>Associated Student Body Funds</u>
<b>Additions</b>	
Revenue from local sources	\$ 4,229,152
<b>Total Additions</b>	<u>4,229,152</u>
<b>Deductions</b>	
Other expenses	<u>4,325,317</u>
<b>Total Deductions</b>	<u>4,325,317</u>
Changes in net assets	(96,165)
<b>Net Assets - Beginning of Year</b>	<u>1,834,884</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,738,719</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, 2009

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

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

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

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

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

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**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, 2009**

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

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

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

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

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

Other outgo – includes transfers to other agencies.

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

**B. FUND ACCOUNTING:**

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

**GOVERNMENTAL FUNDS - MAJOR**

**General Fund** – is used to account for all financial transactions except those legally required to be accounted for in another fund. It is the general operating fund of the District. The District has elected to record Emerson Charter School activity in the General Fund as the funding comes through the General Fund.

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

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

**GOVERNMENTAL FUNDS – NON-MAJOR**

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

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

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

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

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

**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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

**FIDUCIARY FUNDS**

**Student Body Funds** – used to account for the raising and spending of money to promote the general welfare, morale and educational experiences of the student body. The District operates 36 separate student body funds.

**AGENCY ACTIVITIES**

The District operates a warrant pass-through fund as a holding account for amounts withheld from employees for federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$4,041,463 on June 30, 2009, which represents withholdings payable. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**C. BASIS OF ACCOUNTING:**

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

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

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



LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

1. Cash and Cash Equivalents

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

2. Receivables

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

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2009, the inventory for supplies is \$705,353 and the inventory for food is \$1,210,552.

4. Prepaid Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

5. Capitalized Fees

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

6. Capital Assets

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

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

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

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

7. Deferred Revenue

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

8. Compensated Absences

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

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

9. Long Term Obligations

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

10. Fund Balance Reservations and Designations

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

C. BASIS OF ACCOUNTING: (continued)

11. Net Assets

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

12. State Apportionments

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

13. Property Taxes

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

C. BASIS OF ACCOUNTING: (continued)

14. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement Systems on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$7,800,000 for STRS.

15. Contributed Services

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

16. Classification of Revenues – Proprietary Funds

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

17. Estimates

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

**D. REPORTING ENTITY:**

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

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

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

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

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

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

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

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

4. Charter Schools – Constellation, New City, Rosie the Riveter and Colegio New City Charter Schools– These charter schools receive their funding directly from other government agencies and have a separate governing board. The condensed unaudited financial information for June 30, 2009 for these schools is presented below.

	<u>Constellation</u>	<u>New City</u>	<u>Rosie the Riveter</u>	<u>Colegio New City</u>
Total Assets	\$ 3,163,349	\$ 2,855,341	\$ 273,282	\$ 463,628
Total Liabilities	<u>1,818,918</u>	<u>2,069,505</u>	<u>257,466</u>	<u>398,234</u>
Fund Balance	<u>\$ 1,344,431</u>	<u>\$ 785,836</u>	<u>\$ 15,816</u>	<u>\$ 65,394</u>
Total Revenues	\$ 1,563,630	\$ 4,020,272	\$ 602,882	\$ 718,987
Total Expenditures	<u>1,444,182</u>	<u>3,683,067</u>	<u>648,029</u>	<u>653,593</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ 119,448</u>	<u>\$ 337,205</u>	<u>\$ (45,147)</u>	<u>\$ 65,394</u>

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

**NOTE 2 - BUDGETS:**

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

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

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE 3 - DEPOSITS:**

**A. Deposits**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2009, \$13,453,760 of the District's bank balance of \$15,028,256 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$11,890,570
Uninsured and uncollateralized	<u>1,563,190</u>
Total	<u>\$13,453,760</u>

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair market value of the District's deposits as noted above in this pool as of June 30, 2009, as provided by the pool sponsor, was \$411,231,380.

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE 4 - INTERFUND TRANSACTIONS:**

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

**A. Interfund Receivables/Payables**

Individual interfund receivable and payable balances at a June 30, 2009 are temporary loans and are detailed as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
General Fund	\$ 17,482,746	\$ 33,219,613
Cafeteria Fund	508,998	11,782,818
Building Fund	376,457	4,284,475
<b>Non-Major Funds:</b>		
Special Revenue Funds:		
Adult Education Fund	35,671	1,477,006
Child Development Fund	9,302	3,150,769
Deferred Maintenance Fund	3,135,752	385,669
Capital Projects Funds:		
Capital Facilities Fund	85,398	2,705
County School Facilities Fund	2,534	
<b>Proprietary Fund:</b>		
Self-Insurance Fund	32,997,582	331,385
	<u>\$ 54,634,440</u>	<u>\$ 54,634,440</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 2008-09 fiscal year are as follows:

Transfer from the General Fund to the Adult Education Fund for Lottery Allocations	\$ 32,786
Transfer from the Building Fund to the Deferred Maintenance Fund for estimated match necessary to qualify for State funds	3,100,000
Transfer from the Building Fund to the Capital Facilities Fund for Certificates of Participation payoff	51,250,000
Transfer from the General Fund to the Capital Facilities Fund for Certificates of Participation payoff	2,568,962
Transfer from the General Fund to the Special Reserve Fund for Other Than Capital Outlay Projects for future non-capital outlay projects	5,539,694
Transfer from Capital Facilities Fund to the General Fund for authorized general purpose expenditures	7,346,270
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement and to cover food expenses	<u>252,106</u>
	<u>\$70,089,818</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Cash in revolving fund	\$ 403,650	\$ 1,335	\$ 404,985
Inventory	705,353	1,210,552	1,915,905
Prepaid Expenses	290,360		290,360
<b>Total</b>	<b><u>\$1,399,363</u></b>	<b><u>\$1,211,887</u></b>	<b><u>\$2,611,250</u></b>

The following ending balances were legally restricted as to use:

**Major Funds:**

General Fund:

Pregnant Minors	\$ 26,740
ARRA: State Fiscal Stabilization Fund	31,731,984
Medi-Cal Billing Option	434,842
CalEnglish Language Acquisition Program	1,177,104
Lottery: Instructional Materials	2,212,976
CAHSEE Intensive Instruction and Services	261,710
CAHSEE Individual Intervention Materials	64,894
Economic Impact Aid	627,878
Limited English Proficiency	3,299,044
Instructional Materials Realignment Program	4,708,913
Instructional Materials –ELS	151,513
Instructional Materials – Williams Case	574,967
Quality Education Investment Act	270,532
Routine Restricted Maintenance	699,580
Donor Restricted Gifts	1,985,877
	<b><u>\$48,228,554</u></b>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

**Non-Major Funds:**

Child Development Fund:

Child Nutrition Program - CCFP	\$ 151,104
Child Nutrition Program - Reserve	152,625
Donor Restricted Gifts	<u>26,836</u>
	<u>330,565</u>

Adult Education Fund:

State Lottery Prop 20	47,083
Donor Restricted Gifts	<u>2,296</u>
	<u>49,379</u>

Total Non-Major Funds \$ 379,944

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

**Major Funds:**

General Fund:

Economic Uncertainties	\$ 15,179,151
Revenue Limit Reduction FY 09-10	20,814,740
Designated for Site Carryover	52,655
Contingencies	<u>5,170,646</u>

Total General Fund 41,217,192

Cafeteria Fund:

Contingencies and Special Purposes	<u>2,091,846</u>
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Building Fund:

Contingencies and Special Purposes	<u>241,681,749</u>
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Total Major Funds \$284,990,787

**Non-Major Funds:**

Contingencies and Special Purposes	
Adult Education Fund	\$ 66,723
Deferred Maintenance Fund	14,693,729
Capital Facilities Fund	5,700,804
Special Reserve Fund	15,292,540
State School Building Fund	26,306
County School Facilities Fund	419,966
Special Reserve Fund for Other Than Capital Outlay Projects	<u>13,401,721</u>

Total Non-Major Funds \$ 49,601,789

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE 6 - OPERATING LEASES:**

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

<b><u>Fiscal Year</u></b>	<b><u>Lease Payment</u></b>
2009-10	\$1,889,231
2010-11	1,479,172
2011-12	1,238,722
2012-13	972,000
2013-14	<u>543,946</u>
Total	<u>\$6,123,071</u>

2008-09 expenditures for operating leases is approximately \$2,755,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 7 - CERTIFICATES OF PARTICIPATION:**

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

On November 3, 2008, the District paid off the Certificates of Participation with proceeds from the 2008 Capital Project Notes and unrestricted general fund money. The principal amount was \$50,825,000. The Capital Project Notes were paid off by June 30, 2009 with proceeds from the Measure K bond. Therefore, they are not included in the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**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 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) of general obligations bonds. The bonds were issued to finance various capital improvements in particular to upgrade outdated heating, plumbing, ventilation and electrical systems, rehabilitate 50 year old classrooms, repair leaky roofs, upgrade classroom electrical systems for computers, and build new classrooms and schools to eliminate overcrowding and allow students to attend neighborhood schools.

On July 17, 2008, the District issued General Obligation Bonds, Election 1999, Series G of \$14,345,000 of current interest bonds and \$15,650,606 of capital appreciation bonds.

On July 17, 2008, the District issued 2008 General Obligation Refunding Bonds 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, 2009, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$35,050,000. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,289,900. The present value of economic gain to the District amounts to approximately \$3,881,100. These savings result in a recalculation of the bond repayment schedules and are included in the consolidated schedule noted on the subsequent page.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Measure A Series (continued)**

Amounts paid to the refunded debt escrow agent, in excess of outstanding debt at the time of payment is considered a deferred charge on refunding. This amount was written off in the current fiscal year as it was not material to the financial statements.

**Measure K Series**

On November 4, 2008, the voters approved the issuance of bonds, not to exceed \$1,200,000,000. On April 7, 2009, the District issued Series A of 2008 General Obligation Bonds 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.

**Payments**

Interest due is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2001 (Series A), August 1, 2003 (Series B, C and D), February 1, 2007 (Series E and F), February 1, 2009 (Series G and Refunding Bond Series A), and August 1, 2009 (Refunding Bond Series B and Measure K Series A). 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 Series G have maturity dates from August 1, 2023 through August 1, 2033. Prior to the maturity date, the bond will accrete interest on the principal component.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

**Payments (continued)**

	Date of Issue	Interest Rate %	Maturity Date (1)	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Principal Payment Current Year (2)	Outstanding June 30, 2009
Measure A								
Series A	07/15/99	4.5%-7.5%	8/1/2029	\$ 25,000,000	\$ 21,525,000	\$	\$ 13,820,000	\$ 7,705,000
Series B	07/01/00	5.0%-8.0%	8/1/2029	30,000,000	26,465,000		25,775,000	690,000
Series C	08/01/01	4.3%-7.3%	8/1/2031	60,000,000	53,590,000		24,650,000	28,940,000
Series D	05/01/02	4.125%-6.0%	8/1/2031	40,000,000	36,680,000		6,975,000	29,705,000
Series E	05/01/03	2.0%-5.0%	8/1/2032	60,000,000	55,690,000		1,300,000	54,390,000
Series F	06/01/04	3.50%-5.375%	8/1/2033	50,000,000	47,815,000		955,000	46,860,000
Series G	07/17/08	3.50%-5.44%	8/1/2033	29,995,606		29,995,606		29,995,606
Accreted Interest						417,195		417,195
Refunding Bond								
Series A	07/17/08	2.57%-4.28%	8/1/2022	38,320,000		38,320,000		38,320,000
Series B	04/07/09	3.0%-5.25%	8/1/2029	28,465,000		28,465,000		28,465,000
Measure K								
Series A	04/07/09	3.5%-5.0%	8/1/2033	260,000,000		260,000,000		260,000,000
				<u>\$ 621,780,606</u>	<u>\$ 241,765,000</u>	<u>\$ 357,197,801</u>	<u>\$ 73,475,000</u>	<u>525,487,801</u>
						Bond Premium		19,422,836
						Total Bonds Payable		<u>\$ 544,910,637</u>

(1) Revised maturity date on non-refunded portion:  
Series B 8/1/2009

(2) Redeemed current year to refunded bond escrow agents:  
Series A \$ 13,245,000  
Series B \$ 25,115,000  
Series C \$ 23,410,000  
Series D \$ 6,105,000

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, Refunding Bonds, Series A and B, and Measure K, Series A bonds included a premium of \$1,021,276, \$2,308,212, \$994,834, and \$15,098,514, respectively. These amounts are amortized using the straight-line method. Due to the timing of the issuances, no amortization was recognized during the 2008-09 year.

In addition, associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized using the straight-line method to interest expense over the life of the liability. Issue costs of \$1,856,302 related to the Measure K, Series A bond were capitalized. Due to the timing of the issuances, no amortization was recognized during the 2008-09 year.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Payments - Measure A Series**

**A. Series A**

The annual requirements to amortize Series A bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 600,000	\$ 386,813	\$ 986,813
2011		373,013	373,013
2012		373,013	373,013
2013		373,013	373,013
2014		373,013	373,013
2015-2019		1,865,063	1,865,063
2020-2024		1,865,063	1,865,063
2025-2029	5,540,000	1,301,213	6,841,213
2030	<u>1,565,000</u>	<u>41,081</u>	<u>1,606,081</u>
	<u>\$ 7,705,000</u>	<u>\$ 6,951,285</u>	<u>\$ 14,656,285</u>

**B. Series B**

The annual requirements to amortize Series B bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 690,000	\$ 17,250	\$ 707,250
	<u>\$ 690,000</u>	<u>\$ 17,250</u>	<u>\$ 707,250</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Payments - Measure A Series (continued)**

**C. Series C**

The annual requirements to amortize Series C bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 1,300,000	\$ 1,430,213	\$ 2,730,213
2011		1,399,338	1,399,338
2012		1,399,338	1,399,338
2013		1,399,338	1,399,338
2014		1,399,337	1,399,337
2015-2019		6,996,687	6,996,687
2020-2024	2,480,000	6,934,687	9,414,687
2025-2029	14,495,000	4,637,309	19,132,309
2030-2032	<u>10,665,000</u>	<u>838,578</u>	<u>11,503,578</u>
	<u>\$ 28,940,000</u>	<u>\$ 26,434,825</u>	<u>\$ 55,374,825</u>

**D. Series D**

The annual requirements to amortize Series D bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 915,000	\$ 1,444,763	\$ 2,359,763
2011	955,000	1,398,013	2,353,013
2012	995,000	1,349,263	2,344,263
2013	1,030,000	1,303,144	2,333,144
2014	1,075,000	1,259,325	2,334,325
2015-2019		6,183,750	6,183,750
2020-2024	7,705,000	5,258,125	12,963,125
2025-2029	9,845,000	3,075,125	12,920,125
2030-2032	<u>7,185,000</u>	<u>550,875</u>	<u>7,735,875</u>
	<u>\$ 29,705,000</u>	<u>\$ 21,822,383</u>	<u>\$ 51,527,383</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Payments - Measure A Series (continued)**

**E. Series E**

The annual requirements to amortize Series E bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 1,355,000	\$ 2,452,975	\$ 3,807,975
2011	1,410,000	2,411,500	3,821,500
2012	1,465,000	2,364,713	3,829,713
2013	1,525,000	2,312,388	3,837,388
2014	1,575,000	2,258,138	3,833,138
2015-2019	8,855,000	10,295,375	19,150,375
2020-2024	10,930,000	8,063,875	18,993,875
2025-2029	13,725,000	4,997,500	18,722,500
2030-2033	13,550,000	1,325,250	14,875,250
	<u>\$ 54,390,000</u>	<u>\$ 36,481,714</u>	<u>\$ 90,871,714</u>

**F. Series F**

The annual requirements to amortize Series F bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 995,000	\$ 2,330,200	\$ 3,325,200
2011	1,040,000	2,279,325	3,319,325
2012	1,090,000	2,230,163	3,320,163
2013	1,135,000	2,178,625	3,313,625
2014	1,190,000	2,123,475	3,313,475
2015-2019	6,815,000	9,663,625	16,478,625
2020-2024	8,700,000	7,674,969	16,374,969
2025-2029	11,255,000	5,126,125	16,381,125
2030-2034	14,640,000	1,906,750	16,546,750
	<u>\$ 46,860,000</u>	<u>\$ 35,513,257</u>	<u>\$ 82,373,257</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

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

**Payments - Measure A Series (continued)**

**G. Series G**

The annual requirements to amortize Series G bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest	Total
2010	\$	\$ 680,150	\$	\$ 680,150
2011		680,150		680,150
2012		680,150		680,150
2013		680,150		680,150
2014		680,150		680,150
2015-2019	4,175,000	3,309,450		7,484,450
2020-2024	11,118,303	1,072,750	1,046,697	13,237,750
2025-2029	5,788,951		8,906,049	14,695,000
2030-2034	8,913,352		22,471,648	31,385,000
	<u>\$ 29,995,606</u>	<u>\$ 7,782,950</u>	<u>\$ 32,424,394</u>	<u>\$ 70,202,950</u>

**H. Refunding Bond, Series A**

The annual requirements to amortize refunding bond payable, Series A, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$	\$ 1,691,900	\$ 1,691,900
2011		1,691,900	1,691,900
2012	730,000	1,677,300	2,407,300
2013	1,690,000	1,628,900	3,318,900
2014	3,290,000	1,529,300	4,819,300
2015-2019	24,540,000	4,874,100	29,414,100
2020-2023	8,070,000	599,000	8,669,000
	<u>\$ 38,320,000</u>	<u>\$ 13,692,400</u>	<u>\$ 52,012,400</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Payments - Measure A Series (continued)**

**I. Refunding Bond, Series B**

The annual requirements to amortize refunding bond payable, Series B, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$ 405,000	\$ 1,011,751	\$ 1,416,751
2011	820,000	1,363,494	2,183,494
2012	1,090,000	1,329,394	2,419,394
2013	1,510,000	1,277,394	2,787,394
2014		1,247,194	1,247,194
2015-2019		6,235,970	6,235,970
2020-2024	12,675,000	4,910,873	17,585,873
2025-2029	9,940,000	1,669,543	11,609,543
2030	2,025,000	51,891	2,076,891
	<u>\$ 28,465,000</u>	<u>\$ 19,097,504</u>	<u>\$ 47,562,504</u>

**Payments - Measure K Series**

**A. Series A**

The annual requirements to amortize Series A bond payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	\$	\$ 9,181,187	\$ 9,181,187
2011	22,260,000	12,130,850	34,390,850
2012	16,085,000	11,387,225	27,472,225
2013	18,710,000	10,628,925	29,338,925
2014	9,015,000	10,021,875	19,036,875
2015-2019	67,405,000	42,132,075	109,537,075
2020-2024	46,645,000	26,320,624	72,965,624
2025-2029	30,550,000	18,156,132	48,706,132
2030-2034	49,330,000	6,855,481	56,185,481
	<u>\$ 260,000,000</u>	<u>\$ 146,814,374</u>	<u>\$ 406,814,374</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 9 - OTHER ACCOUNTING DISCLOSURES:**

- A. Long-term debt** - A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below.

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amount Due in One Year
Compensated absences	\$ 10,710,192	\$ 138,914	\$ -	\$ 10,849,106	\$ 8,561,850
Certificates of participation	50,825,000	-	50,825,000	-	-
Net OPEB obligation	3,401,833	1,363,891	-	4,765,724	-
General obligation bonds:					
General obligation bonds payable	241,765,000	356,780,606	73,475,000	525,070,606	6,260,000
Bond premium	-	19,422,836	-	19,422,836	-
Accreted interest on capital appreciation bonds	-	417,195	-	417,195	-
<b>Totals</b>	<b>\$ 306,702,025</b>	<b>\$ 378,123,442</b>	<b>\$ 124,300,000</b>	<b>\$ 560,525,467</b>	<b>\$ 14,821,850</b>

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

- B. Capital assets** - A schedule of changes in general fixed assets for the year ended June 30, 2009, is shown below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 112,414,135	\$ 241,347	\$ -	\$ 112,655,482
Work In Progress	9,039,260	8,336,718	1,590,503	15,785,475
Total capital assets not being depreciated	<u>121,453,395</u>	<u>8,578,065</u>	<u>1,590,503</u>	<u>128,440,957</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	18,861,612	1,234,165	-	20,095,777
Buildings and Improvements	699,318,112	2,172,535	-	701,490,647
Books and Media In Library	18,774,393	3,800,494	30,000	22,544,887
Vehicles	10,770,750	1,661,646	483,050	11,949,346
Machinery and Equipment	48,467,742	1,564,794	992,627	49,039,909
Total capital assets being depreciated	<u>796,192,609</u>	<u>10,433,634</u>	<u>1,505,677</u>	<u>805,120,566</u>
<b>Accumulated depreciation for:</b>				
Land Improvements	13,466,923	556,562	-	14,023,485
Buildings and Improvements	256,155,570	12,995,811	-	269,151,381
Books and Media In Library	17,070,918	624,452	30,000	17,665,370
Vehicles	9,772,076	363,957	483,050	9,652,983
Machinery and Equipment	45,265,494	1,247,653	992,627	45,520,520
Total accumulated depreciation	<u>341,730,981</u>	<u>15,788,435</u>	<u>1,505,677</u>	<u>356,013,739</u>
Total capital assets being depreciated, net	<u>454,461,628</u>	<u>(5,354,801)</u>	<u>-</u>	<u>449,106,827</u>
<b>Governmental activities capital assets, net</b>	<b>\$ 575,915,023</b>	<b>\$ 3,223,264</b>	<b>\$ 1,590,503</b>	<b>\$ 577,547,784</b>



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE 9 - OTHER ACCOUNTING DISCLOSURES: (continued)**

Depreciation expense was allocated to the following functions:

Governmental Activities:

Instruction	\$12,997,156
Instruction – related services	601,048
Pupil Services	18,751
General Administration	208,550
Plant Services	<u>457,253</u>

Net governmental activities depreciation expense \$14,282,758

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through the year, the District has maintained the following self-insurance programs and accounts for them in Internal Service Funds. The District is self insured for property and liability, health, vision, dental and workers' compensation. These funds account for and finance the uninsured portion of losses. The Deductible Insurance Fund provides general liability coverage for a maximum of \$25,000, primarily for particular property damage and bodily injury claims. The District participates in a Joint Powers Authority for claims in excess of the amount provided by the Deductible Insurance Fund and for certain other risks up to \$5,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, through the Deductible Insurance Fund, the District is completely self-insured for certain other types of claims, principally related to property losses due to vandalism and natural disasters.

Through its Health, Vision and Dental Insurance Fund, the District is partially self-insured for health, vision and dental plan claims. The District maintains an excess insurance policy for health program claims over \$250,000.

The District is self insured for the first \$500,000 of claims related to workers' compensation. The District carries excess insurance for claims over this amount.

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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

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

At June 30, 2009, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of liability is estimated at \$57,563,645. The Internal Service Fund currently has a combined positive fund balance of \$11,683,546. This is largely due to a transfer of funds for other postemployment benefits. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Workers Compensation	\$ 45,384,132	\$ 9,954,906	\$ 10,652,095	\$ 44,686,943
Deductible Insurance	1,382,213	(244,625)	(73,230)	1,210,818
Health, Vision and Dental	11,483,469	46,763,404	46,580,989	11,665,884
	<u>\$ 58,249,814</u>	<u>\$ 56,473,685</u>	<u>\$ 57,159,854</u>	<u>\$ 57,563,645</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**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.

**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 2008-09 was 8.25% 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, 2009

**NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)**

**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 2008-09 was 9.428% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to STRS and PERS**

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

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2007	\$31,801,480	100%	\$10,439,147	100%
2008	33,405,183	100%	11,294,450	100%
2009	32,088,254	100%	11,128,472	100%

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**NOTE 12 - ALTERNATE PENSION PLANS:**

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

**Plan Description**

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

Employees who have received distributions	580
Terminated plan members entitled to but not yet receiving benefits	26,998
Active plan members	1,792
Number of participating employers	1
Contributions by Employee for the year	\$1,172,073
Contributions by Employer for the year	\$ 142,194

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Long Beach Schools Business Management Authority Retirement Plan (continued)**

**Plan Description and Contribution Information**

Retirees and beneficiaries receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	109
Active plan members	0
Number of participating employers	1
Contributions by Employee for the year	\$0
Contributions by Employer for the year	\$0

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

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Assets:			
Cash and cash equivalents	\$ 74,318	\$	\$
Accounts receivable			
Investments, at fair value:			
U.S. Government obligations	<u>3,595,895</u>	<u>22,122,587</u>	<u>3,895,334</u>
Total Assets	<u>\$ 3,670,213</u>	<u>\$22,122,587</u>	<u>\$ 3,895,334</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Additions			
Contributions:			
Employer	\$	\$	\$ 142,194
Plan members			1,172,073
Total Contributions	<u>-</u>	<u>-</u>	<u>1,314,267</u>
Investment earnings:			
Net decrease in fair value of investments	(913,455)		
Interest and dividends	1,688	1,001,306	35,011
Net Investment Earnings	<u>(911,767)</u>	<u>1,001,306</u>	<u>35,011</u>
Total Additions (Deletions)	<u>(911,767)</u>	<u>1,001,306</u>	<u>1,349,278</u>
Deductions:			
Benefits	264,508	575,070	101,751
Administrative expenses	18,599	162,539	18,182
Total Deductions	<u>283,107</u>	<u>737,609</u>	<u>119,933</u>
Change in net assets	(1,194,874)	263,697	1,229,345
Net assets - beginning of year	<u>4,865,087</u>	<u>21,858,890</u>	<u>2,665,989</u>
Net assets - end of year	<u>\$ 3,670,213</u>	<u>\$22,122,587</u>	<u>\$ 3,895,334</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Plan Description and Eligibility**

The District administers a single-employer defined benefit health care plan. At June 30, 2009, there were 1,156 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 \$8,858,109 for the health benefits of 707 retirees that qualified for this coverage during 2008-09. The other 449 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2009, the District collected \$3,544,696 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 2009, the District contributed \$8,858,109 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, 2009**

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

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

Annual required contribution (ARC)	\$10,184,000
Interest on net OPEB obligation	204,000
Adjustment to annual required contribution	<u>(166,000)</u>
Annual OPEB cost (expense)	10,222,000
Contributions made	<u>(8,858,109)</u>
Change in net OPEB obligation	1,363,891
Net OPEB obligation - Beginning of Year	<u>3,401,833</u>
Net OPEB obligation - End of Year	<u><u>\$ 4,765,724</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2008 and 2009 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>
6/30/2008	\$11,595,504	71%	\$3,401,833
6/30/2009	\$10,222,000	86%	\$4,765,724

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**Funding Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$228,345,000. The covered payroll (annual payroll of active employees covered by the plan) was \$488,786,036, and the ratio of the UAAL to the covered payroll was 47%. Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2009, the OPEB portion of the self-insurance fund's designated balance was \$6,954,627.

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

**Actuarial Methods and Assumptions**

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

## LONG BEACH UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

##### **Actuarial Methods and Assumptions (continued)**

In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 6.5 percent after 5 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis over thirty years.

#### **NOTE 14 - JOINT POWERS AGREEMENTS:**

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

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

SELF arranges for and provides a self-funded or additional insurance for excess liability funding for approximately 1,250 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass-through entity and financial information is not available. For fiscal year 2008-09 the District received local revenue in the amount of \$259,837 from the Authority.

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

	ASCIP 6/30/2008 <u>(Audited)</u> (in thousands)	SELF 6/30/2008 <u>(Audited)</u> (in thousands)
Total assets	\$ 215,712	\$ 238,680
Total liabilities	<u>130,986</u>	<u>189,962</u>
Fund equity	\$ <u>84,726</u>	\$ <u>48,718</u>
Total revenues	\$ 180,666	\$ 41,599
Total expenditures	<u>160,806</u>	<u>22,991</u>
Net increase in fund equity	\$ <u>19,860</u>	\$ <u>18,608</u>

**NOTE 15 - COMMITMENTS AND CONTINGENCIES:**

**A. Contingent Liabilities**

**Cafeteria**

In 2002-03, the District restated its fund balance in the Cafeteria Fund and the General Fund to adjust the undercharging of indirect costs by the General Fund for prior years. This resulted in an addition to the General Fund and reduction in the Cafeteria Fund amounting to \$3,862,992. The Nutrition Services Division of the California Department of Education issued a letter dated August 11, 2005, indicating that the District's General Fund must return a portion of this to the Cafeteria Fund. The General Fund will reimburse the Cafeteria Fund for a portion of the restatement in the amount of \$1,968,212 over a ten year period to end in the fiscal year 2014-2015. The General Fund has made the appropriate transfer in the 2008-09 fiscal year and the amount remaining to be transferred is \$1,180,927. This is not reflected in the government wide statements since it is within the funds of the District.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**A. Contingent Liabilities (continued)**

**Redevelopment Agency Fees**

The District is currently analyzing the status of its agreements with Redevelopment Agencies in the area. Based on legislation, known as AB 1290, certain limitations exist on taxing agencies, and instead of negotiating the allocation of tax proceeds, a statutory formula was established to distribute proceeds from taxes. Education Code 42238(h)(6) states that payments may be subject to an offset of 43.3% of the amount received for redevelopment, to be applied as property tax receipts in calculating the offset for property taxes in the revenue limit calculation. If, after a thorough review of these revenues, it is determined that this regulation applies, the District may be required to transfer 43.3% of fees collected to the general fund and include these amounts as an offset, which will reduce state apportionments. Therefore, there may be an impact to the Special Reserve Fund balances that are currently being held for capital facilities purposes. If this was applicable for 2008-09 the amount of the transfer would be approximately \$1,055,000. Due to the uncertainty of the outcome of this matter, there has been no transfer included in these financial statements.

The State Controller's office released its "Report on Property Tax Pass-Through Payments for FY2003-04 through FY2007-08. In addition, an invoice in the amount of \$3,946,873 from the California Department of Education was received on October 8, 2009. The invoice amount represents 43.3% of the state's share of collections made to the District as reported by the redevelopment agencies. The state plans to reduce the District's first principal apportionment by this amount in February 2010. The District is planning to file an audit appeal in order to allow sufficient time for staff to reconcile collections by agency, project area, and fiscal year before the payment is made. The District placed the collections in Fund 40, Special Reserve Fund for Capital Projects, awaiting complete information and a full reconciliation.

Based on the progress of the work by the state and the District's consultant, it is expected that any liabilities due to the state for fiscal year 2008-09 and prior should be addressed by June 30, 2010.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**B. Litigation**

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

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

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

**D. County School Facilities Funds**

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

**E. Purchase Commitments**

As of June 30, 2009, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$4.7 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

**NOTE 16 - SUBSEQUENT EVENTS:**

**A. LBSBMA**

On September 8, 2009, the District reached an agreement with PERS to re-enroll LBSBMA employees in PERS. Payment for corresponding employer and employee contributions was submitted to PERS on September 11, 2009.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

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

**B. Un-appropriated/Re-appropriated Categorical Funding**

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivable has been included in these financial statements. Adjustments to reduce revenue and the related receivable for the Cafeteria Fund and non-major funds were not recognized as they were not material to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Revenues:</b>				
Revenue Limit Sources	\$ 488,060,625	\$ 474,287,390	\$ 474,287,390	\$ -
Federal Sources	83,548,138	155,507,518	118,738,717	(36,768,801)
Other State Sources	159,680,753	168,456,484	152,886,609	(15,569,875)
Other Local Sources	15,132,512	22,703,592	16,876,560	(5,827,032)
<b>Total Revenues</b>	<u>746,422,028</u>	<u>820,954,984</u>	<u>762,789,276</u>	<u>(58,165,708)</u>
<b>Expenditures:</b>				
<b>Certificated Salaries:</b>				
Teachers Salaries	308,867,206	324,179,740	308,671,730	15,508,010
Pupil Support	35,180,864	32,910,076	32,398,528	511,548
Supervisors' and Administrators' Salaries	23,765,516	26,560,221	26,176,998	383,223
Other Certificated Salaries	9,262,220	13,983,912	12,782,083	1,201,829
<b>Classified Salaries:</b>				
Instructional Aides' Salaries	22,030,349	25,126,057	23,016,674	2,109,383
Support Salaries	40,677,769	41,628,751	41,135,042	493,709
Supervisors' and Administrators' Salaries	23,503,489	24,152,561	24,080,170	72,391
Clerical, Technical and Office Staff Salaries	22,191,580	22,475,359	21,934,982	540,377
Other Classified Salaries	4,813,822	5,948,580	5,489,141	459,439
<b>Employee Benefits:</b>				
STRS	31,995,162	31,945,126	30,977,915	967,211
PERS	8,359,098	9,574,604	9,466,507	108,097
PERS Reduction	2,357,045	2,584,193	2,588,779	(4,586)
OASDI	13,971,699	13,805,198	13,084,832	720,366
Health and Welfare Benefits	77,389,653	82,676,858	77,997,539	4,679,319
Unemployment Insurance	1,416,176	1,508,831	1,487,760	21,071
Workers' Compensation	15,182,455	15,433,643	14,906,123	527,520
Retiree Benefits	10,369,647	7,981,144	7,253,612	727,532
Other Employee Benefits		4,132	4,132	-
<b>Books &amp; Supplies:</b>				
Textbooks	5,753,472	7,326,899	4,796,925	2,529,974
Books other than Textbooks	485,640	1,758,140	811,968	946,172
Materials and Supplies	16,079,088	71,878,018	11,983,395	59,894,623
Noncapitalized Equipment	1,946,346	5,371,168	2,566,004	2,805,164
Food Service Supplies	5,000	12,099	12,099	-

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND

For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Services, Other Operating Expenses:</b>				
Sub-Agreements for Services	7,105,491	11,521,305	11,521,305	-
Travel and Conferences	1,020,240	2,483,305	1,652,311	830,994
Dues and Memberships	136,558	161,349	133,111	28,238
Insurance	3,334,243	3,333,791	3,331,280	2,511
Operating and Housekeeping Services	10,104,092	10,082,756	9,396,231	686,525
Rentals, Leases and Repairs	6,530,446	6,785,083	5,980,190	804,893
Direct Costs - Interfund	(894,118)	(1,218,370)	(1,210,515)	(7,855)
Other Services and Operating Expenses	43,693,222	71,660,678	42,284,134	29,376,544
Communications	2,899,656	3,181,977	2,857,518	324,459
<b>Capital Outlay:</b>				
Sites and Improvements of Sites	395,000	526,366	91,772	434,594
Buildings and Improvements of Buildings	231,830	559,317	274,777	284,540
Equipment	708,190	930,582	518,905	411,677
Equipment Replacement	1,095,200	1,947,817	1,672,514	275,303
<b>Other Outgo:</b>				
Tuition	133,145	40,283	40,283	-
Interagency Transfers Out	133,650	150,000	150,000	-
Debt Service	5,851,439	4,641,790		4,641,790
<b>Direct Support/Indirect Costs:</b>				
Interfund Transfers of Direct Support/Indirect Costs	(1,897,886)	(1,756,433)	(1,750,343)	(6,090)
<b>Total Expenditures</b>	<u>756,183,694</u>	<u>883,856,906</u>	<u>750,566,411</u>	<u>133,290,495</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(9,761,666)	(62,901,922)	12,222,865	75,124,787
<b>Other financing sources (uses):</b>				
Transfer in		7,346,270	7,346,270	-
Contributions		482,265	482,265	-
Transfer out	(340,762)	(8,393,548)	(8,393,548)	-
<b>Net change in fund balances</b>	<u>\$ (10,102,428)</u>	<u>\$ (63,466,935)</u>	11,657,852	<u>\$ 75,124,787</u>
<b>Fund Balance at Beginning of Year</b>			<u>79,187,257</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 90,845,109</u>	

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE CAFETERIA FUND  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
<b>Revenues:</b>				
Federal Sources	\$ 24,097,552	\$ 24,632,720	\$ 24,632,720	\$ -
Other State Sources	2,159,054	2,003,503	2,003,503	-
Other Local Sources	8,395,740	6,931,819	6,931,819	-
<b>Total Revenues</b>	<b>34,652,346</b>	<b>33,568,042</b>	<b>33,568,042</b>	<b>-</b>
<b>Expenditures:</b>				
<b>Classified Salaries:</b>				
Support Salaries	7,701,009	7,430,238	7,430,238	-
Supervisors' and Administrators' Salaries	4,857,266	4,730,635	4,730,635	-
Clerical, Technical and Office Staff Salaries	1,181,827	1,128,667	1,128,667	-
Other Classified Salaries	949,238	647,158	647,158	-
<b>Employee Benefits:</b>				
PERS	926,261	971,878	971,878	-
PERS Reduction	356,509	304,947	304,947	-
OASDI	824,892	1,011,524	1,011,524	-
Health and Welfare Benefits	3,094,372	2,754,687	2,754,687	-
Unemployment Insurance	44,067	41,290	41,290	-
Workers' Compensation	434,813	418,110	418,110	-
Retiree Benefits	387,415	262,605	262,605	-
<b>Books &amp; Supplies:</b>				
Materials and Supplies	363,431	397,859	1,519,270	(1,121,411)
Noncapitalized Equipment	150,444	156,533	156,533	-
Food Service Supplies	11,200,553	11,257,662	9,931,482	1,326,180
<b>Services, Other Operating Expenses:</b>				
Travel and Conferences	22,050	7,581	7,581	-
Dues and Memberships	3,320	1,046	1,046	-
Operating and Housekeeping Services	303,000	316,149	316,149	-
Rentals, Leases and Repairs	215,799	129,784	129,784	-
Direct Costs - Interfund	703,612	907,727	907,727	-
Other Services and Operating Expenses	179,559	147,394	147,394	-
Communications	85,400	70,325	70,325	-

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE CAFETERIA FUND  
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Revised Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Revised Final</u>		
<b>Capital Outlay:</b>				
Equipment		11,378	11,378	-
Equipment Replacement	70,000	46,322	46,322	-
<b>Direct Support/Indirect Costs:</b>				
Interfund Transfers of Direct Support/Indirect Costs	<u>599,499</u>	<u>366,182</u>	<u>366,182</u>	<u>-</u>
<b>Total Expenditures</b>	<u>34,654,336</u>	<u>33,517,681</u>	<u>33,312,912</u>	<u>204,769</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(1,990)	50,361	255,130	204,769
<b>Other financing sources (uses):</b>				
Other Sources	<u>304,469</u>	<u>252,106</u>	<u>252,106</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 302,479</u>	<u>\$ 302,467</u>	<u>507,236</u>	<u>\$ 204,769</u>
<b>Fund Balance at Beginning of Year</b>			<u>2,796,497</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 3,303,733</u>	

See the accompanying notes to the required supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

For the Fiscal Year Ended June 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost 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	%	\$ 505,693,908	19%
7/1/2009	\$ -	\$ 228,345,000	\$ 228,345,000	%	\$ 488,786,036	47%

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

Note: Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2009, the OPEB portion of the self-insurance fund's designated balance was \$6,954,627.

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, 2009

**NOTE 1 - PURPOSE OF SCHEDULES:**

**A. Schedule of Budgetary Comparison For The General Fund and the Cafeteria Fund**

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

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

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

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

There were no excesses of expenditures over appropriations in the General Fund or Cafeteria Fund by major object.

**SUPPLEMENTARY INFORMATION**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**HISTORY AND ORGANIZATION**

**June 30, 2009**

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

**BOARD OF EDUCATION**

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Jon Meyer	President	July, 2012
Mary Stanton	Vice President	July, 2010
Dr. David Barton	Member	July, 2010
Dr. Felton Williams	Member	July, 2012
Michael Ellis	Member	July, 2010
Kiara Martin	Student Member	July, 2009

**ADMINISTRATIVE OFFICERS**

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2009**

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

ADA statistics reported to the State excluding Charter Schools, for the fiscal year ended June 30, 2009 are as follows:

	<b>Revised Second Period</b>	<b>Revised Annual</b>
<b>Elementary:</b>		
Kindergarten	5,598	5,589
First through third grade	17,575	17,532
Fourth through eight grade	30,669	30,638
Opportunity schools	39	45
Home and hospital - temporary physical disabilities	34	38
Special Education master plan	1,573	1,585
Special Education - nonpublic, nonsectarian schools	31	34
Community day school	4	5
Extended year special education - mandated	96	96
Extended year - nonpublic, nonsectarian schools	3	4
	<u>55,622</u>	<u>55,566</u>
<b>Secondary:</b>		
Regular classes	25,087	24,955
Continuation education	264	248
Opportunity schools	54	58
Home and hospital - temporary physical disabilities	34	39
Special Education master plan	1,138	1,135
Special Education - nonpublic, nonsectarian schools	151	153
Community day school	12	13
Extended year special education - mandated	123	123
Extended year - nonpublic, nonsectarian schools	25	26
	<u>26,888</u>	<u>26,750</u>
Total secondary ADA	<u>26,888</u>	<u>26,750</u>
Regional Occupational program	960	1,213
	<u>960</u>	<u>1,213</u>
<b>Adult Education:</b>		
Concurrently enrolled	71	76
Not concurrently enrolled	2,356	2,291
	<u>2,356</u>	<u>2,291</u>
Total Adult Education ADA	<u>2,427</u>	<u>2,367</u>
Total ADA	<u>85,897</u>	<u>85,896</u>

**Hourly Programs**

Elementary Hourly  
Secondary Summer School

**Hours of Attendance**

445,369  
711,752  
1,157,121

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**  
**For the Fiscal Year Ended June 30, 2009**

<u>Grade Level</u>	<u>1986-87</u> Minutes <u>Requirement</u>	<u>1982-83</u> Actual <u>Minutes</u>	<u>2008-09</u> Actual <u>Minutes</u>	<u>Number of Days</u>		<u>Number of Days</u> Multi-Track <u>Calendar</u>	<u>Status</u>
				<u>Traditional</u> <u>Calendar</u>	<u>Calendar</u>		
Kindergarten	36,000	31,747	36,000	180	180	180	In compliance
Grade 1	50,400	49,930	50,562	180	180	180	In compliance
Grade 2	50,400	49,930	50,562	180	180	180	In compliance
Grade 3	50,400	49,930	50,440	180	180	180	In compliance
Grade 4	54,000	52,110	54,040	180	180	180	In compliance
Grade 5	54,000	52,110	54,040	180	180	180	In compliance
Grade 6	54,000	52,110	55,860	180	180	180	In compliance
Grade 7	54,000	52,110	55,860	180	180	N/A	In compliance
Grade 8	54,000	52,110	58,889	180	180	N/A	In compliance
Grade 9	64,800	64,800	64,848	180	180	N/A	In compliance
Grade 10	64,800	64,800	64,848	180	180	N/A	In compliance
Grade 11	64,800	64,800	64,848	180	180	N/A	In compliance
Grade 12	64,800	64,800	64,848	180	180	N/A	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, 2009**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>Department of Education:</b>			
Direct Programs			
Physical Education for Progress	84.215F	(1)	\$ 64,984
Indian Education	84.060	(1)	14,798
GEAR UP	84.334A	(1)	3,916,972
Smaller Learning Communities	84.215L	(1)	1,208,589
Teaching American History Grant	84.215X	(1)	262,537
Magnet School Assistance	84.165	(1)	2,743,131
History of the United States for Elementary Education	84.215X	(1)	473
A Red, White, and Blueprint for History	84.215X	(1)	410,230
Subtotal: Direct Programs			<u>8,621,714</u>
Pass-Through Program From			
California Department of Education			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	42,164,522
Title I, Part B, Reading First	84.357A	14328	2,319,938
Migrant Education	84.011	14838	308,817
Title I, Program Improvement District Intervention	84.010	14581	685,258
Special Education Cluster			
Special Education - IDEA Basic Local Assistance Entitlement	84.027	13379	13,047,022
Special Education - Federal Preschool Grants	84.173	13430	345,344
Special Education - Preschool Local Entitlement	84.027A	13682	931,780
Preschool Staff Development	84.173A	13431	3,398
Special Education Alternative Dispute Resolution	84.027A	13007	15,000
Special Education - Early Intervention	84.181	23761	264,596
Vocational Education - Basic Grants to States	84.048A	14894	1,033,081
Education Act of 1998 Postsecondary Education	84.048	13923	104,439
Safe & Drug Free Schools	84.186	14347	474,883
Adult Ed - Adult Basic Ed	84.002A	14508	180,914
Adult Ed - Family Literacy	84.002A	13977	70,425
Adult Ed - Secondary ASE/GED	84.002A	13978	45,437
Adult Ed - ESL	84.002A	14109	34,687
Title II, Part A, Improving Teacher Quality	84.367	14341	4,344,241
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	415,266
Title V, Part A, Innovative Ed Strategies	84.298A	14354	1,744,253
21st Century Community Learning Centers Technical Assistance	84.287	14350	40,011
21st Century Community Learning Centers	84.287	14349	5,754,857
Title III, Limited English Proficient Children	84.365	10084	1,489,575
Homeless Children Education	84.196	14332	100,000
Advanced Placement Test Fee Reimbursement Program	84.330	14831	43,991
Subtotal: California Department of Education			<u>75,961,735</u>
Pass-Through Program From			
California Department of Rehabilitation			
Special Education Workability II	84.158	10006	<u>265,003</u>
Pass-Through Program From			
Los Angeles County Office of Education			
Afterschool Enrichment Program	(1)	(1)	<u>66,255</u>
Total: U.S. Department of Education			<u>84,914,707</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, 2009

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>			
Direct Programs			
Head Start - Early	93.600	(1)	\$ 1,804,094
Head Start - Basic Grant	93.600	(1)	15,548,381
Head Start - Emergency Program Improvement	93.600	(1)	49,988
Head Start - Training & Tech Assistance	93.600	(1)	148,034
Head Start - Training & Tech Assistance (Supplemental Funding)	93.600	(1)	6,411
Subtotal: Direct Programs			<u>17,556,908</u>
Pass-Through Program From			
California Department of Education			
Quality Improvement	93.575	13979	7,397
School Age Resource Contracts	93.575	13941	2,558
Head Start	93.600	10016	48,814
Subtotal: California Department of Education			<u>58,769</u>
Pass-Through Program From			
California Department of Health Services			
Medi-Cal	93.778	10013	1,339,640
Medi-Cal Administrative	93.778	10600	565,886
Subtotal: California Department of Health Services			<u>1,905,526</u>
Total: U.S. Department of Health and Human Services			<u>19,521,203</u>
<b>Corporation for National and Community Service</b>			
CalServe Developmental District Partnership	94.004	13161	<u>77,349</u>
<b>U.S. Department of Defense</b>			
Reserve Officers Training Corps	12.000	(1)	<u>363,293</u>
<b>Department of Agriculture</b>			
Pass-Through Program From			
California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13523	18,707,825
Especially Needy Breakfast	10.553	13526	4,900,355
Basic School Breakfast	10.553	13525	221,046
Federal Snack Program	10.000	(1)	803,494
Child and Adult Care Food Program	10.558	13529	849,539
Subtotal: California Department of Education			<u>25,482,259</u>
Total: U.S. Department of Agriculture			<u>25,482,259</u>
Total Federal Program Expenditures			\$ <u>130,358,811</u>
<b>Reconciliation to Federal Revenues:</b>			
Total Federal Program Expenditures			\$ 130,358,811
Expenditure in excess of revenue related to Federal Entitlements			
Program Medi-Cal Administrative	93.778	10013	367,020
Program Medi-Cal	93.778	10600	(289,698)
ARRA: State Fiscal Stabilization Fund	84.394	25008	31,731,984
Child and Adult Food Program	10.558	13529	92,602
<b>Total Federal Program Grants</b>			<u>\$ 162,260,719</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 \$1,721,684 of commodities under the National School Lunch Program (CFDA 10.555)

See the accompanying notes to the supplementary information.

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

	<u>(Budget) 2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>GENERAL FUND:</b>								
<b>Revenue</b>								
Revenue Limit Sources	\$ 436,128,112	57.9	\$ 474,287,390	62.5	\$ 498,973,011	61.8	\$ 493,996,686	64.7
Federal	131,163,223	17.4	118,738,717	15.6	88,106,513	10.9	92,357,126	12.1
State	179,520,615	23.8	152,886,609	20.1	179,501,154	22.2	189,602,944	24.8
County and Local	9,156,850	1.2	16,876,560	2.2	19,749,284	2.4	21,195,557	2.8
Other Sources	16,891,176	2.2	7,828,535	1.0	700,000	0.1		
Total Revenue	<u>772,859,976</u>	<u>102.7</u>	<u>770,617,811</u>	<u>101.5</u>	<u>787,029,962</u>	<u>97.4</u>	<u>797,152,313</u>	<u>104.4</u>
<b>Expenditures</b>								
Certificated Salaries	375,386,760	49.9	380,029,339	50.1	397,412,030	49.4	379,165,754	49.7
Classified Salaries	110,385,077	14.7	115,656,009	15.2	120,747,061	14.9	113,046,876	14.8
Employee Benefits	166,414,967	22.1	157,767,199	20.8	157,837,988	19.5	156,284,897	20.5
Books and Supplies	25,843,073	3.4	20,170,391	2.7	40,718,789	5.0	28,131,714	3.7
Services and Other Operating Expenses	65,736,133	8.7	75,945,565	10.0	80,893,649	10.0	77,086,765	10.1
Capital Outlay	1,639,000	0.2	2,557,968	0.3	2,632,662	0.3	2,104,426	0.3
Other Transfers Out	237,494	0.0	190,283	-	232,908	-	422,472	0.1
Direct Support/Indirect Costs	(1,600,860)	(0.2)	(1,750,343)	(0.2)	(2,672,213)	(0.3)	(2,711,181)	(0.4)
Interfund Transfers Out	8,682,274	1.2	8,393,548	1.1	10,046,607	1.2	9,511,139	1.2
Total Expenditures	<u>752,723,918</u>	<u>100.0</u>	<u>758,959,959</u>	<u>100.0</u>	<u>807,849,481</u>	<u>100.0</u>	<u>763,042,862</u>	<u>100.0</u>
Change in Fund Balance	\$ <u>20,136,058</u>	<u>2.7</u>	\$ <u>11,657,852</u>	<u>1.5</u>	\$ <u>(20,819,519)</u>	<u>(2.6)</u>	\$ <u>34,109,451</u>	<u>4.5</u>
Ending Fund Balance	\$ <u>110,981,167</u>	<u>14.7</u>	\$ <u>90,845,109</u>	<u>12.0</u>	\$ <u>79,187,257</u>	<u>9.8</u>	\$ <u>100,006,776</u>	<u>13.1</u>
Available Reserve	\$ <u>15,054,479</u>	<u>2.0</u>	\$ <u>15,179,151</u>	<u>2.0</u>	\$ <u>16,152,306</u>	<u>2.0</u>	\$ <u>15,260,730</u>	<u>2.0</u>
Recommended Reserve Percentage		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>
Average Daily Attendance	<u>81,044</u>		<u>82,510</u>		<u>83,112</u>		<u>85,354</u>	
Total Long-Term Debt	\$ <u>552,846,386</u>		\$ <u>560,525,467</u>		\$ <u>306,702,025</u>		\$ <u>312,149,488</u>	

**IMPORTANT NOTES:**

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

Fiscal year 2010 original budget as adopted on June 16, 2009. State revenues include the reverted categorical monies as described in Note 16B.

All percentages are of total expenditures

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

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2009**

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

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>General Fund</b>
June 30, 2009 Annual Financial and Budget Report Fund Balances	\$ 104,611,190
Adjustments and Reclassifications:	
Decreasing the Fund Balance:	
Accounts Receivable - Federal and State Governments (see Note 16B)	(13,766,081)
June 30, 2009 Audited Financial Statement Fund Balances	\$ 90,845,109

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2009**

**NOTE 1 - PURPOSE OF SCHEDULES:**

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

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

**B. Schedule of Instructional Time**

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

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

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule was prepared for the District and is presented on the modified accrual basis of accounting.

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

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

**E. Schedule of Charter Schools**

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2009**

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

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

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

**OTHER INDEPENDENT AUDITORS' REPORTS**



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District) as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting which is described in the accompanying schedule of findings and questioned costs as item 09-01.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 09-02.

We noted certain matters that we reported to management of the District, in a separate letter dated November 6, 2009.

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

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

This report is intended solely for the information and use of management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

November 6, 2009





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

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

Compliance

We have audited the compliance of Long Beach Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

November 6, 2009

**REPORT ON STATE COMPLIANCE**

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

We have audited the basic financial statements of the Long Beach Unified School District (the District), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2008-09 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Yes
Continuation education	10	Yes
Adult education	9	N/A <sup>1</sup>
Regional occupational centers and programs	6	N/A <sup>1</sup>
Independent study	23	Yes



## REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community day schools	9	N/A <sup>5</sup>
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	N/A <sup>2</sup>
One school serving K-3	4	Not applicable
Morgan-Hart class size reduction program	7	N/A <sup>1</sup>
Instructional materials:		
General requirements	12	1 <sup>3</sup>
Grades K-8 only	1	N/A <sup>1</sup>
Grades 9-12 only	1	N/A <sup>1</sup>
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
Mathematics and reading professional development	4	N/A <sup>1</sup>
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes <sup>4</sup>
Mode of instruction	1	Yes <sup>4</sup>
Nonclassroom-based instruction/independent study	15	Yes <sup>4</sup>
Determination of funding for nonclassroom-based instruction	3	Yes <sup>4</sup>
Annual instructional minutes – classroom based	3	Yes <sup>4</sup>

<sup>1</sup>This program is not required to be audited per flexibility provisions in SBx3 4.

<sup>2</sup>The District had two options under which to implement class size reduction; the District exercised Option 1, therefore, audit procedures for Option 2 were not performed.

<sup>3</sup>The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

<sup>4</sup>Testing for Emerson Charter School was done in conjunction with the District audit. Testing for all other charter schools was done by each school's respective auditor.

<sup>5</sup>We did not perform testing for community day schools because the community day schools ADA was under the level which requires testing.

## REPORT ON STATE COMPLIANCE

Based on our audit, we found that, for the items tested, the District complied with the laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the District had not complied with the laws and regulations of state programs and requirements.

This report is intended solely for the information and use of management, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

November 6, 2009

## **FINDINGS AND RECOMMENDATIONS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**June 30, 2009**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified?        Yes   X   No  
 Significant deficiencies identified not considered  
 to be material weaknesses?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:  
 Material weakness(es) identified?        Yes   X   No  
 Significant deficiencies identified not considered  
 to be material weaknesses?        Yes   X   None reported

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

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

*Identification of major programs tested:*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	21 <sup>st</sup> Century Community Learning Centers
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
84.367	Title II, Part A, Improving Teacher Quality
93.600	Head Start

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

Auditee qualified as low-risk auditee?   X   Yes        No

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**FINDING 09-01 - INFORMATION SYSTEMS –**  
**DISASTER RECOVERY PLAN**

**30000**

**Original Finding 04-09**

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

**Questioned Costs:** Not applicable

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**FINDING 09-02 – REDEVELOPMENT AGENCY FEES**

**60000**

**Original finding – 07-07**

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

During the 2008/09 fiscal year, the District hired a consultant to identify project areas within the District boundary, review contracts, determine payment entitlement, validate historical remittances and perform related work. The District also received an invoice from the California Department of Education in October, 2009 for \$3,946,873. This represents the 43.3% share of the collections of fees as reported by the redevelopment agencies. The District is planning to file an audit appeal in order to allow time for staff to reconcile collections by agency, project area, and fiscal year.

**Recommendation:** The District should complete its review of the redevelopment project collections. After the review is complete, the District should remit the 43.3% of redevelopment fees determined to be payable to the State. Accounting procedures should be revised to properly account for these monies in the appropriate funds and in the revenue limit calculation.

**District Response:** The District has filed a request for a summary review with the Education Audit Appeals Panel in a letter dated November 6, 2009. Upon the result of the summary review, the District will apply 43.3% of the monies identified properly as property tax collections. The District has developed an accounting procedure to account for these monies for future fiscal years.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2009**

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2009.



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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2009**

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

**20000**

**Original Finding 04-08**

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

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

**Current Status:** Significantly implemented.

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

**Original Finding 04-09**

**I. Standardized System Development Methodology**

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

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

**Current Status:** Implemented.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**

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

**II. Disaster Recovery Plan**

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

**Questioned Costs:** Not applicable

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

**Current Status:** Not implemented. See current year finding 09-01.

**III. Access and modification controls**

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

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

**Current Status:** Implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2009

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

**IV. Access and modification controls**

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

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

**Current Status:** Implemented.

**FINDING: 08-03 – SELF INSURANCE PROGRAMS** 60000

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

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

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

**Current Status:** Implemented.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**

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

**60000**

**Original Finding 06-06**

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

**Recommendation:**

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

**Current Status:** Partially implemented. See management letter.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

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

**June 30, 2009**

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

**30000**

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

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

**Current Status:** Implemented.

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

**60000**

**Original Finding 07-07**

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

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

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

**Current Status:** Partially implemented. See current year finding 09-02.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2009

FINDING: 08-07 – ADULT EDUCATION

40000

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

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

**Current Status:** Implemented.

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

40000

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

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

**Current Status:** Implemented.



November 6, 2009

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

We have completed our audit of Long Beach Unified School District's financial statements for the year ended June 30, 2009, and have issued our report dated November 6, 2009. In planning and performing our audit of the financial statements of Long Beach Unified School District (the District) for the year ended June 30, 2009, we considered the internal control structure of the District in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of certain matters that are opportunities for strengthening operation efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report date November 6, 2009, on the financial statements of the District.

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

*Recommendation:*

- 1) Conduct an analysis of the role internal audit has in developing and implementing the antifraud program. Currently internal audit focuses primarily on attendance and Associated Student Body Funds. Although these are both critical areas, we believe that other areas warrant periodic internal review, such as payroll, cash receipts, journal entries, purchasing, food service, etc. Surprise audits can be a very effective tool in preventing and detecting fraud. Items to consider including in the analysis are; the emphasis and focus of internal audit, whether the staffing levels are appropriate, whether training programs are sufficient and whether the organizational structure provides a sufficient level of authority, independence and oversight. We believe that it would be beneficial to identify high risk areas on an annual basis, and incorporate random audits and reviews of internal controls.



Board of Education  
Long Beach Unified School District

- 2) The District should consider reviewing the role of the audit committee. The *AICPA Audit Committee Toolkit for Government Organizations* recommends that audit committees draft a charter outlining committee activities, roles, and responsibilities. In addition to reviewing the annual financial and compliance audit, these activities should include a review of the audit scope and plan of the internal audit department and independent auditors, review of significant findings, evaluation of management's plan to mitigate identified operating risks, understanding and review of critical accounting policies and alternative accounting treatments and taking an active role in the establishment and maintenance of the District's antifraud program. To accomplish this, the committee should consist of at least one member with financial expertise and meet at regular intervals, at minimum four times each year.

We wish to thank the staff of the District, the accounting office and others throughout the District that have assisted us during our audit.

This information is intended solely for the use of the management of Long Beach Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Floyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP