

**LONG BEACH COMMUNITY COLLEGE DISTRICT
COUNTY OF LOS ANGELES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003

(With Independent Auditors' Report Thereon)

LONG BEACH COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2003

	<u>PAGE</u>
Introduction	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-4.2
<u>Basic Financial Statements:</u>	
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Net Assets	6
Statement of Cash Flows	7-8
Notes to the Financial Statements	9-22
Independent Auditors' Report on Supplemental Information	23-24
<u>Supplemental Information:</u>	
Organization	25
Schedule of Expenditures for Federal Awards	26
Schedule of State Financial Awards	27-28
Schedule of Workload Measures for Program-Based Funding	29
Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting Records	30
Fund Balance Sheets for the Various Funds	31
Combining Statement of Financial Position For Discretely Presented Component Units	32
Combining Statement of Activities for Discretely Presented Component Units	33
Notes to Supplemental Information	34

LONG BEACH COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS, Continued

YEAR ENDED JUNE 30, 2003

	<u>PAGE</u>
<u>Reports on Compliance and Internal Control:</u>	
Independent Auditors' Report on State Compliance Requirements	35-38
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39-40
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41-42
Schedule of Findings and Questioned Costs	43-45
Management Letter	46-47
Summary Schedule of Prior Audit Findings	48

LONG BEACH COMMUNITY COLLEGE DISTRICT

INTRODUCTION

The basic objective of the audit of the District's financial statements is to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether management has complied with laws and regulations and established and maintained a system of internal control.

In planning and performing the audit, the auditors considered the District's internal control structure in order to determine the auditing procedures for the purpose of expressing their opinion on the financial statements and not to provide assurance on the internal control structure. The auditors also performed a review of State compliance with certain specific rules and regulations as required by the California Community Colleges Contracted District Audit Manual. Federal compliance requirements under the Single Audit Act and Office of Management and Budget Circular A-133 Audits of State and Local Governments are also reviewed. The scope of those studies and the related findings are presented in the Schedule of Findings and Questioned Costs Section of this document.

Goodrich, Goodyear & Hinds

An Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Long Beach Community College District
Long Beach, California

We have audited the accompanying financial statements of the business-type activities of Long Beach Community College District (the District) as of and for the year ended June 30, 2003, which 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 6 to the financial statements, library materials are stated at appraisal value in the accompanying Statement of Net Assets. In our opinion, such assets should be stated at acquisition cost, net of depreciation, to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the preceding practice are not reasonably determinable.

In our opinion, except for the effects of valuing library materials at appraisal value, as discussed in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Community College District as of June 30, 2003, and the changes in its net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the Notes to the Basic Financial Statements, the District adopted the provisions of Government Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*;

No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures, Effective July 1, 2001*.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2003, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) on Page 4 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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 an opinion on the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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.

Goodrich, Goodyear & Zinda

Long Beach, California
November 21, 2003

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2003

2002-2003 was a financially tumultuous year for the Long Beach Community College District. As the year began, the financial picture appeared bright, with additional state revenues in the form of a 2% cost of living adjustment and funding for 3% student enrollment growth. By mid-year the budget picture grew gloomy. In December the Governor proposed cutting \$228 million from community college budgets. After months of protracted deliberations in the State legislature, the State made mid-year funding cuts of \$161 million. These cuts eliminated the 2% cost of living adjustment and the 3% funding for enrollment growth. The District's share of the \$161 million cut was \$4.2 million.

For fiscal year 2003-2004, the State budget crisis continued with an additional \$133 million in community college budget cuts, zero cost of living adjustment, and a modest 1.5% for enrollment growth. To help finance this level of funding, the State increased the enrollment fees for students to \$18 per unit (from \$11/unit).

This economic climate creates many challenges for our students and for the management of the college. In addition to reduced revenues, the college was confronted by a climate of steep cost increases for health insurance, pension programs and other operating costs. The Board of Trustees and the Leadership Team at Long Beach city College is prepared to face these challenges and maintain our fiscal solvency by using a variety of strategies, including finding additional operating efficiencies and through our system of shared governance pursuing entrepreneurial revenue generating opportunities.

Discussion of Financial Statements

The following discussion presents highlights from the financial statements:

Statement of Net assets

Cash and cash equivalents of \$61,910,723 represent 94% of total current assets. The fund distribution of the cash and cash equivalents is:

General Fund (Restricted and Unrestricted)	\$ 14,682,131
Capital Outlay Projects (COP and Bond)	41,260,828
Student Financial Aid	372,402
Associated Student Body	1,555,876
Associated Student Body Enterprises	1,545,232
Other Funds	2,494,254

93% of cash and cash equivalents are held in the Los Angeles county Treasurer's Investment pool and 7% is held in local banks.

Capital Assets of \$61,276,195 represent the value of land improvements, buildings, equipment and library materials. The booked values of each of their asset class are:

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

YEAR ENDED JUNE 30, 2003

Land	\$ 4,773,082
Improvements	1,012,640
Buildings	38,861,525
Equipment	6,175,888
Library Materials	10,453,060

The booked value is the cost when acquired minus depreciation. The straight line method of depreciation was used with the following estimates of useful life:

Buildings	50 years
Portable Buildings	25 years
Improvements	20 years
Equipment	5 years

The equipment asset class includes items costing at least \$5,000. Library materials have not been depreciated, since the value of the knowledge contained in books and other library materials does not decline over time. Indeed, the value of rare books increases over time. This accounting practice is not in strict compliance with GASB 34/35 and District management does not believe that it will have a material effect on the financial statements.

Statement of Revenues, Expenses and Changes in Net Assets

Revenues

Operating revenues for 2002-2003 totaled \$47,927,880. The following table shows the sources and percent contribution from cash revenue sources:

Student Fees	10%
Grants and Contracts	71%
ASB	15%
Other	4%
	100%

Expenses

Operating expenses totaled \$148,415,433. The largest component was \$93,914,951 to cover the cost of salaries and employee benefits. The following table breaks down the operating expenses by function:

Instructional	\$ 51,485,482	35%
Financial Aid	26,371,775	18%
Instructional Support	21,466,459	14%
Student Support	15,491,720	10%
Auxiliary Operations	9,081,624	6%
Physical Plant	7,278,555	5%
Equipment	6,515,826	4%
Community Svcs. & Economic Dev.	4,556,983	3%
Academic Support	3,296,963	2%
Depreciation	2,870,046	2%

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

YEAR ENDED JUNE 30, 2003

The largest functional expense is for direct instructional activities (35%), followed by financial aid (18%), instructional support (14%), and student support (10%).

Statement of Cash Flow

\$91,368,365 of cash was paid to employees and providers of employee benefits. This is the largest cash outflow (63%) of the \$144,223,435 of total outflow for operating purposes.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS

JUNE 30, 2003

ASSETS

Current assets:	
Cash and cash equivalents:	
Unrestricted	\$ 60,880,004
Restricted	<u>1,030,719</u>
Total cash and cash equivalents	61,910,723
Accounts receivable, net	2,607,235
Inventory	858,687
Prepaid expenses	<u>347,905</u>
Total current assets	65,724,550
Non-current assets:	
Capital assets, net	\$ <u>61,276,195</u>
Total non-current assets	<u>61,276,195</u>
Total assets	\$ <u>127,000,745</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 2,607,131
Accrued expenses	2,623,723
Due to related groups	304,755
Deferred revenue	2,513,706
Bonds payable - current portion	1,500,000
Compensated absences - current portion	<u>1,569,129</u>
Total current liabilities	11,118,444
Non-current liabilities:	
Certificates of participation	\$ 4,781,000
Bonds payable - non-current portion	38,500,000
Compensated absences - non-current portion	<u>211,965</u>
Total non-current liabilities	<u>43,492,965</u>
Total liabilities	54,611,409

NET ASSETS

Invested in capital assets	61,276,195
Restricted for:	
Expendable	141,695
Unrestricted	<u>10,971,446</u>
Total net assets	<u>72,389,336</u>
Total liabilities and net assets	\$ <u>127,000,745</u>

The accompanying notes are an integral part of these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2003

Operating Revenues:		
Tuition and fees		\$ 4,974,100
Less: Scholarship discounts and allowances		<u>(415,261)</u>
Net tuition and fees		4,558,839
Grants and contracts, non-capital:		
Federal		27,170,600
State		5,277,109
Local		1,647,909
Auxiliary enterprise sales and charges		7,305,298
Other operating revenues		<u>1,968,125</u>
Total operating revenue		47,927,880
Operating Expenses:		
Salaries	\$ 76,385,350	
Employee benefits	17,529,601	
Supplies, materials, and other expenses	23,300,368	
Utilities	1,958,293	
Student financial aid	26,371,775	
Depreciation	<u>2,870,046</u>	
Total operating expenses		<u>148,415,433</u>
Operating income (loss)		(100,487,553)
Non-operating Revenue (Expenses):		
State apportionments, non-capital	71,715,592	
Local property taxes	7,343,698	
State taxes and other revenues	2,603,873	
Interest income	594,562	
Other non-operating revenues	349,703	
Bond issuance costs	<u>(350,735)</u>	
Total non-operating revenues (expenses)		82,256,693
Income Before Other Revenues, Expenses, Gains or Losses - Grants and gifts		<u>16,408</u>
Increase (decrease) in net assets		(18,214,452)
Net assets, beginning of year, as previously reported	189,197,563	
Prior period adjustments	<u>(98,593,775)</u>	
Net assets, beginning of year, as restated		<u>90,603,788</u>
Net assets, end of year		\$ <u>72,389,336</u>

The accompanying notes are an integral part of these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2003

Cash flows from operating activities:		
Tuition and fees		\$ 4,060,460
Grants, contracts, fees		39,754,311
Auxiliary enterprise and sales charges		7,374,455
Payments to suppliers		(24,525,002)
Payments for utilities		(1,958,293)
Payments for student financial aid		(26,371,775)
Payments to employees		(74,673,385)
Payments to benefits		(16,694,980)
Other receipts (payments)		<u>1,968,125</u>
Net cash used for operating activities		(91,066,084)
Cash flows from non-capital financing activities:		
State apportionments	\$ 71,715,592	
Property taxes	7,343,698	
State taxes and other revenues	2,603,873	
Grants and gifts	16,408	
Other receipts (payments)	<u>912,265</u>	
Net cash provided by non-capital financing activities		82,591,836
Cash flows from capital and related financing activities:		
Proceeds from sale of bonds	40,032,000	
Certificates of participation	4,781,000	
Bond issuance costs	<u>(350,735)</u>	
Net cash provided by capital and related financing activities		44,462,265
Cash flows from investing activities:		
Purchase of capital assets	<u>(2,903,718)</u>	
Net cash used for investing activities		<u>(2,903,718)</u>
Net increase in cash and cash equivalents		33,084,299
Cash and cash equivalents, beginning of year		<u>28,826,424</u>
Cash and cash equivalents, end of year		\$ <u>61,910,723</u>

The accompanying notes are an integral part of these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS, CONTINUED

YEAR ENDED JUNE 30, 2003

Reconciliation of net operating revenues (expenses) to net cash provided by operating activities:		
Operating loss		\$(100,487,553)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 2,870,046	
Decrease in value of books	996,961	
Changes in assets and liabilities:		
Accounts receivable	5,727,850	
Inventory	237,771	
Prepaid expenses	(326,932)	
Accounts payable	(2,467,935)	
Accrued expenses	1,072,070	
Due to related groups	66,203	
Deferred revenue	(498,379)	
Compensated absences	<u>1,743,814</u>	
Total adjustments		<u>9,421,469</u>
Net cash used for operating activities		\$ <u>(91,066,084)</u>
Non-cash Transactions:		
Valuation of library books		\$ <u>996,961</u>

The accompanying notes are an integral part of these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Mission Statement

The mission of Long Beach Community College District (the District) is to provide quality, affordable educational programs and related student services to those who can benefit from the programs the college offers. Through a collegiate experience and with an open door admissions policy, the college fosters the development of individual potential and is responsive to the diverse educational needs of the community it serves. The primary purposes of the education program are to prepare students for work or transfer to baccalaureate-granting institutions, entry into work or career development, and to support business and industry in economic development. The District offers general education and vocational education at the lower division level and transitional instruction and those support services that promote student success-remedial education, English as a second language instruction, adult non-credit courses, and student support services. College programs and services educate citizens to enrich the quality of life in the community.

Reporting Entity

The District is an institution of higher education in the County of Los Angeles, California, providing educational programs and related student services. The District has two college campuses, both located in Long Beach, California. The District has considered all potential component units in determining how to define the reporting entity in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

The Foundation is not included in the District's financial statements. Although the Foundation is affiliated with the District, it is not controlled by the District. The net assets of the Foundation is immaterial to the financial statements and, accordingly, has not been separately disclosed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management Discussions and Analysis for State and Local Governments*, followed in November 1999 by GASB 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB Statement No. 35 is effective in three phases based on the public institution's total annual revenues in the first fiscal year ending after June 15, 1999. The District adopted the provisions of these statements along with GASB Statement No. 37, *Basic Financial Statements - and Management's*

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Discussion and Analysis - for State and Local Governments: Omnibus (an amendment of GASB Statements No. 21 and No. 34), as of July 1, 2002. In June 2001 GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, to reevaluate certain existing disclosure requirements in the context of the reporting model in Statement No. 34. The District adopted the provisions of Statement No. 38 as of July 1, 2002.

The financial statement presentation required by GASB Statements No. 34, 35, 35, and 38 provides a comprehensive, entity-wide perspective of the District's assets and cash flows, and replaces the fund-group perspective previously required. The District now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the District's financial activities.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant inter-fund transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

Summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted.

The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District does not record an allowance for uncollectible accounts. When receivables are determined to be uncollectible, a direct write-off is recorded.

Inventories

Inventories, primarily bookstore merchandise, are carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital Assets

Except as discussed in Note 6, capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for building, 25 years for portable buildings, 20 years for improvements, and 5 years for equipment.

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt - This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt. The District has no capital lease obligations as of June 30, 2003.

Restricted net assets - expendable - Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Operating Revenues

Operating revenues include all revenues from programmatic sources. Non-operating revenues include state apportionments, state and local tax revenues, investment income, and gifts.

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

- Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.
- Non-operating revenues - Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. However, cash in the County Treasury and some investments are recorded at cost, which approximates fair value.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities 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 for eligible employees.

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.

NOTE 3 - CASH AND POOLED FUNDS

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances of most funds are deposited with the County Treasury for the purpose of increasing interest earnings through county investment activities. Each respective fund's share of the total pooled cash is included in the accompanying combined balance sheet under the caption "Cash in County Treasury." Interest earned on such pooled cash balances is distributed to the participating funds based upon each fund's average cash balance during the distribution period.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledge securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

Cash in banks and specifically identifiable investments are classified as to credit risk by three categories and summarized as follows:

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 3 - CASH AND POOLED FUNDS, Continued

Category 1 - includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name and deposits insured or collateralized with securities held by the District;

Category 2 - includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;

Category 3 - includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Cash in County Treasury	\$ -	57,533,864	-	57,533,864	57,533,864
Cash in Banks	3,969,827	-	-	3,969,827	3,969,827
Cash in Revolving Fund	49,903	-	-	49,903	49,903
Cash Held by Fiscal Agent	-	357,129	-	357,129	357,129
Cash and Cash Equivalents	\$ <u>4,019,730</u>	<u>57,890,993</u>	<u>-</u>	<u>61,910,723</u>	<u>61,910,723</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2003:

Federal, state and local grants	\$ 1,877,528
State lottery funds	269,408
Auxiliaries	33,883
Other	426,416
	<u>\$ 2,607,235</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 4,773,082	-	-	4,773,082
Improvements	10,560,951	30,519	-	10,591,470
Buildings	110,868,620	2,465,739	-	113,334,359
Equipment	27,382,660	407,460	-	27,790,120
Library materials	11,450,021	-	996,961	10,453,060
Total	<u>\$ 165,035,334</u>	<u>2,903,718</u>	<u>996,961</u>	<u>166,942,091</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 5 - CAPITAL ASSETS, Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Less accumulated depreciation:				
Improvements	\$ 9,463,004	115,826	-	9,578,830
Buildings	72,691,087	1,781,747	-	74,472,834
Equipment	20,641,759	972,473	-	21,614,232
Total	<u>102,795,850</u>	<u>2,870,046</u>	<u>-</u>	<u>105,665,896</u>
Capital assets, net	\$ <u>62,239,484</u>	<u>33,672</u>	<u>996,961</u>	<u>61,276,195</u>

NOTE 6 - VALUATION OF LIBRARY MATERIALS

Library materials are stated at appraisal value. Such assets should have been depreciated over their estimated useful lives to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the preceding practice are not reasonably determinable.

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2003, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Certificates of Participation	\$ -	4,781,000	-	4,781,000
Bonds payable	-	40,000,000	-	40,000,000
Compensated absences	<u>1,522,854</u>	<u>1,768,321</u>	<u>1,510,081</u>	<u>1,781,094</u>
Total	\$ <u>1,522,854</u>	<u>46,549,321</u>	<u>1,510,081</u>	<u>46,562,094</u>

Amounts due within one year include bonds payable of \$1,500,000 and compensated absences of \$1,569,129.

NOTE 8 - CERTIFICATES OF PARTICIPATION

The agreement is between the Long Beach Community College District as the "lessee" and the Long Beach Community College District Financing Corporation as the "lessor" or "corporation." The Corporation is a legally separate entity which was formed for the sole purpose of the acquisition, construction, and improvement of, among other things, a new Child Development Center, a new Industrial Technology Building, various seismic retrofitting projects, and repairs, barrier removals, scheduled maintenance, and hazardous waste remediation projects.

The Corporation's funds for acquiring these items were generated by the issuance of \$34,300,000 at Certificates of Participation (COPs). COPs are long-term debt instruments which are tax-exempt and, therefore, issued at interest rates below current market levels for taxable investments.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 8 - CERTIFICATES OF PARTICIPATION, Continued

Prior to the date the COPs are converted to the long-term rate, COPs are subject to mandatory sinking fund prepayment, in part, on October 1, 2006, and in each year thereafter, to the extent of the principal components of scheduled lease payments required to be paid by the District pursuant to the Lease Agreement with respect to each such prepayment date, at a prepayment price equal to the principal amount thereof, together with accrued interest thereon, to the date of prepayment, without premium, as follows:

Prepayment Date (October 1)	Principal Amount of Certificates to be Prepaid	Prepayment Date (October 1)	Principal Amount of Certificates to be Prepaid
2006	\$ 425,000	2019	\$ 1,150,000
2007	450,000	2020	1,250,000
2008	500,000	2021	1,350,000
2009	525,000	2022	1,450,000
2010	575,000	2023	1,575,000
2011	625,000	2024	1,700,000
2012	675,000	2025	1,850,000
2013	725,000	2026	2,000,000
2014	775,000	2027	2,175,000
2015	850,000	2028	2,350,000
2016	900,000	2029	2,550,000
2017	1,000,000	2030	2,750,000
2018	1,075,000	2031 *	3,050,000

*Maturity

In the event that the Trustee shall prepay COPs in part but not in whole, the amount of the COPs to be prepaid in each subsequent year will be reduced proportionately to correspond to the principal components of the lease payments remaining following such prepayment, determined as set forth in the Lease Agreement such that approximately equal lease payments prevail following each such prepayment.

NOTE 9 - BONDS PAYABLE

During the fiscal year, the District issued, through the County of Los Angeles, general obligation 2002 Election Series A (2003) bonds totaling \$40,000,000, under a bond authorization approved in a general election held in March 2002. The bonds contain an interest provision ranging from 2.5% to 5%, depending upon the maturity date of the bond. The proceeds of such bonds are to be used for acquisition, construction, furnishing, and equipping of District facilities.

The following summarizes the debt service requirements of the District for such bonds which mature annually through 2028:

LONG BEACH COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 9 - BONDS PAYABLE, Continued

Year Ending June 30	Amount
2004	\$ 1,500,000
2005	2,700,000
2006	950,000
2007	970,000
2008	1,010,000
2009-2013	5,695,000
2014-2018	6,995,000
2019-2023	8,865,000
2024-2028	<u>11,315,000</u>
Total bonds payable	40,000,000
Less current portion	<u>1,500,000</u>
Total bonds payable, net of current portion	\$ <u>38,500,000</u>

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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, and classified employees are members of the Public Employees' Retirement System.

A. State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the DB Plan. The State Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability and death benefits and, depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS, Continued

entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

Funding Policy

Active members of the DB Plan are required to contribute 8 percent of their salary while 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 2002-03 was 8.25 percent of annual payroll.

Annual Pension Cost

The District's total contributions to STRP for the fiscal years ended June 30, 2003, 2002, and 2001 were \$3,030,433, \$2,735,855 and \$2,140,911, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

In their most recent actuarial valuation of the DB Plan as of June 30, 2002, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$8,196 billion. Based on this valuation, the current and future statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$2,227 billion by 2030. However, future estimates of the actuarial unfounded obligation may change due to market performance, legislative actions and other membership related factors.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS, Continued

B. California Public Employees' Retirement System (CalPERS)

Plan Description

At age 55, the employee is entitled to a monthly benefit of two percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.) established benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7 percent 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 District's contribution rate to CalPERS for fiscal year 2002-03 was 2.894 percent beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771 percent beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42 percent beginning with the first pay period that ends in July 2003.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2003, 2002, and 2001 were \$926,290, \$1,183,340, and \$989,700, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS, Continued

retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

Funded Status of Retirement Plans by Member Category

<u>Member Category</u>	<u>6/30/98</u>	<u>6/30/99</u>	<u>6/30/00</u>	<u>6/30/01</u>
School	120.5%	128.39%	119.14%	111.87%

NOTE 11 - JOINT POWERS AGREEMENT

The District participates in two joint powers agreement (JPA) entities: the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF). 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.

ASCIP arranges for and provides property, liability and excess workers' compensation insurance for its member school districts. The 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 fund for approximately 1,100 public educational agencies. A board of 16 elected voting members, elected alternates and two ex-officio members governs SELF. 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 contribution based upon that calculated by SELF's Board of Directors and shares surpluses and deficits proportionately to its participation in SELF.

	<u>ASCIP</u>	<u>SELF</u>
Total assets	\$ 80,514,569	112,123,757
Total liabilities	<u>56,501,953</u>	<u>64,483,431</u>
Retained earnings	\$ <u>24,012,616</u>	<u>47,640,326</u>
Total revenues	\$ 49,750,354	25,828,579
Total expenditures	<u>45,977,522</u>	<u>11,022,709</u>
Net increase/(decrease) in retained earnings	\$ <u>3,772,832</u>	<u>14,805,870</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 12 - FUNCTIONAL EXPENSES

	<u>Salaries & Benefits</u>	<u>Supplies & Other Expenses</u>	<u>Depreciation</u>	<u>Total</u>
Instructional activities	\$ 48,945,158	2,540,324	-	51,485,482
Academic support	2,963,643	333,320	-	3,296,963
Student services	14,596,950	894,770	-	15,491,720
Plant operations & maintenance	5,021,416	2,257,139	-	7,278,555
Instructional support services	16,859,924	4,606,535	-	21,466,459
Community services & economic development	3,621,144	935,839	-	4,556,983
Ancillary services & auxiliary operations	1,894,504	7,187,120	-	9,081,624
Physical property & related acquisitions	12,212	6,503,614	-	6,515,826
Financial aid payment	-	26,371,775	-	26,371,775
Depreciation expense	-	-	<u>2,870,046</u>	<u>2,870,046</u>
Total	<u>\$ 93,914,951</u>	<u>51,630,436</u>	<u>2,870,046</u>	<u>148,415,433</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Vacation and sick Leave

Accumulated unpaid employee vacation benefits are accrued when earned by employees and recognized at year-end as liabilities of the District. The District also participates in and accrued "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities 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 for eligible employees. Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. However, the employees do not gain a vested right to accumulated sick leave nor are they paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave. See Note 7 for the accrued balance of compensated absences as of June 30, 2003.

Leases

The District has entered into various operating leases for classroom/office facilities and equipment. All leases contain termination clauses providing for cancellation after six months' written notice to the lessors. The District has no capital lease obligations as of June 30, 2003.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2003

NOTE 13 - COMMITMENTS AND CONTINGENCIES, Continued

Litigation

The District is a defendant in various lawsuits relating to workers' compensation cases. Their outcome is not presently determinable. No accrual has been made in the basic financial statements.

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 reimbursements will not be material.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

In connection with the implementation of GASB Statements No. 34 and 35, the District was required to make a change in the capitalization of fixed assets and related accumulated depreciation and depreciation expense. At June 30, 2003, the impact was a decrease in net assets of \$99,212,313.

In the financial statements for the year ended June 30, 2003, certain errors were made in the recording of certain assets and liabilities. At June 30, 2003, the impact was an increase in net assets of \$618,538.

NOTE 15 - SUBSEQUENT EVENT

For fiscal year 2003-04, the District has made changes in the consortiums used for workers' compensation and property/liability coverage. Workers' compensation coverage is through the Protected Insurance Program for Schools, and property/liability insurance is through the State-Wide Association of Community Colleges. Kennan & Associates is the administrator for each of these consortiums.

The District received \$5,000,000 in tax and revenue anticipation notes (TRANS) to cover the District cash flow needs due to delays in the receipt of property taxes during 2002-2003. These notes will be repaid at the end of the 2003-2004 fiscal year.

Goodrich, Goodyear & Hinds

An Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

The Board of Trustees
Long Beach Community College District
Long Beach, California

We have audited the basic financial statements of Long Beach Community College District (the District) for the year ended June 30, 2003, and have issued our report thereon dated November 21, 2003. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 financials and its contained in Government Auditing Standards issued by the Comptroller General of the United States and the standards identified by the California Community Colleges Contracted District Audit Manual issued by the Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the business-type activities of the Long Beach Community College District, which collectively comprise the District's basic financial statements. The accompanying supplementary information, presented for purposes of additional analysis, is not a required part of the basic financial statements and includes the following supplementary information:

- Schedule of Expenditures of Federal Awards required by OMB Circular A-133
- Schedule of Expenditures of State Awards
- Schedule of Workload Measures for Program-Based Funding
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting Records
- Fund Balance Sheets for the District's various funds
- Combining Statements of Financial Position and Statements of Activities for Discretely Presented Component Units
- Notes to the Supplementary Information

The information in this supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Lodwick, Hodge & Hinds

Long Beach, California
November 21, 2003

SUPPLEMENTAL INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT
ORGANIZATION

YEAR ENDED JUNE 30, 2003

The Long Beach Community College District was established in 1927 and is comprised of an area of approximately 128.6 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The college credit program is housed primarily at the Liberal Arts Campus. The District also provides comprehensive college and continuing education programs at the Pacific Coast Campus.

Board of Trustees

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Dianne Theil McNinch	President	April 30, 2006
Mr. Jeffrey A. Kellogg	Vice President	April 30, 2006
Dr. Thomas J. Clark	Member	April 30, 2006
Ms. Trudy Polsky	Member	April 30, 2004
Mr. Roberto Uranga	Member	April 30, 2004

Administration

Dr. E. Jan Kehoe	Superintendent-President Secretary, Board of Trustees
Mr. Victor R. Collins	Executive Vice President, Human Resources
Dr. Mary Callahan	Vice President/Assistant Superintendent, Academic Affairs
Mr. Eloy Oakley	Vice President/Assistant Superintendent, Administrative Services
Ms. Lou Anne Bynum	Vice President/Assistant Superintendent, Economic and Resource Development
Dr. Arthur Byrd	Vice President/Assistant Superintendent, Student Support, Planning and Research
Dr. Pauline Merry	Provost/Assistant Superintendent, Pacific Coast Campus

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS

YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U. S. Department of Education:			
Financial Aid Cluster:			
Federal Direct Loan	84.268		\$ 3,259,192
Federal Perkins Loan	84.038		154,265
Federal SEOG	84.007		714,312
Federal Pell Program	84.063		19,140,207
Federal Work Study	84.033		955,583
Scholarships for Disadvantaged Nursing Students	93.925		117,970
Project Launch	84.042A		262,750
Upward Bound	84.047		488,550
Hispanic Serving Institutions	84.031S		462,112
Vocational and Technical Education Act (VTEA) Title C	84.048		825,022
VTEA Title II Tech-Prep	84.048		85,025
Access After School Child Care	84.335A		141,594
Successful Disabled Students	84.116B		36,536
Corporation for National and Community Service:			
Pass-through the Chancellor's Office of the California Community Colleges:			
Americorps - Early Childhood Education	94.006		89,101
U. S. Department of Health and Human Services:			
Pass-through County of Los Angeles:			
Refugee Assistance Program	93.566		32,243
Pass-through California Department of Education:			
Temporary Assistance to Needy Families	93.558		223,951
U. S. Department of Justice Community-Oriented Policing Services			
	16.710		1,460
U. S. Department of Defense U. S. Air Force Scientific Equipment Grant			
	12.630		326
U. S. Department of Labor:			
Pass-through WIB of SELACO:			
H1B Technical Skills Training Grant	17.249	33-0287492	232,448
Total Federal Expenditures			\$ <u>27,222,647</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE STATE FINANCIAL AWARDS

JUNE 30, 2003

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
CAL Grants	\$ 2,178,208	-	-	2,178,208	2,183,356
Extended Opportunity Programs and Services	1,917,627	-	(375,033)	1,542,594	1,542,954
Telecommunications/Technology Infrastructure	90,319	-	-	90,319	55,014
California work Opportunities and Responsibility to Kids (CALWORKS)	1,228,576	-	(137,037)	1,091,539	1,091,539
DPSS CALWORKS	209,042	55,105	-	264,147	264,543
DPSS Careers and Child Care	93,065	13,396	-	106,461	106,461
Disabled Students Programs and Services (DSP&S)	897,474	-	-	897,474	1,287,264
Board Financial Assistance Program Allowance	229,336	-	(4,950)	224,386	224,386
AB1725 Funding Staff Development	-	-	-	-	18,801
Matriculation (Credit)	792,573	-	(192,958)	599,615	599,615
Matriculation (Non-Credit)	86,227	-	(228)	85,999	85,999
Cooperative Agencies Resources	-	-	-	-	-
Education (CARE)	273,094	-	(70,785)	202,309	202,394
Faculty and Staff Diversity	22,723	-	-	22,723	18,833
R.I.T.E. Program	306,517	39,583	-	346,100	502,912
Block Grant	308,954	-	-	308,954	269,295
Advanced Transportation Technology Center	152,299	28,617	(16,636)	164,280	164,280
Workplace Learning Resource Center	151,686	-	(35,569)	116,117	116,117
Transfer and Articulation Numbers System	11,224	-	-	11,224	11,224
Child Development Multimedia	781	-	-	781	781
In Search of Freedom	4,196	-	-	4,196	4,196
Accessing Instantaneous Math	31,875	-	(24,909)	6,966	6,966
Women in Trades and Technology Education	30,000	-	(27,855)	2,145	2,145

**LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS**

JUNE 30, 2003

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
W.O.R.D.S. Project	27,736	-	-	27,736	27,736
Increasing Student Transfer	22,621	-	-	22,621	22,621
Foster Care Education Program	105,933	36,322	-	142,255	142,255
Allied Health Grant	26,501	-	(1,870)	24,631	24,631
SUCCESS	18,000	5,821	-	23,821	23,821
Teaching and Reading Development Program	206,250	-	-	206,250	246,407
Service Learning Income	-	14,423	-	14,423	14,423
Job Opportunity in Broadcasting	31,703	-	-	31,703	31,703
E-Commerce Technologies	9,622	48,001	-	57,623	57,623
Health Care Industry - Nursing	60,470	46,949	-	107,419	107,419
Enrollment Growth Nursing Program	100,775	-	(93,109)	7,666	7,666
Underwater Assessments	11,262	-	-	11,262	11,262
Center for International Trade Development	151,686	13,912	(49,780)	115,818	115,818
California/Mexico Trade Center	-	138,937	-	138,937	22,937
M.A.P.P.	-	32,199	-	32,199	32,199
I.L.P.	12,313	5,130	-	17,443	17,443
E.S.T.E.P.	1,754	14,691	-	16,445	16,445
Kinship Ed Prep and Support (KEPS)	-	8,330	-	8,330	8,330
Nutrition Network Grant	-	171,398	-	171,398	171,398
Study Teaching Internship Program	128,999	-	-	128,999	128,999
State Work Study	55,700	4,000	-	59,700	59,700
DPSS Family	63,306	19,175	-	82,481	82,520
Total State Programs	\$ 10,050,427	695,989	(1,030,719)	9,715,697	10,132,431

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM-BASED FUNDING

YEAR ENDED JUNE 30, 2003

<u>Full-time Equivalent Students</u>	<u>Report Annual FTES</u>
A. Credit Full-time Equivalent Students (FTES):	
1. Weekly census	12,501.45
2. Daily census	2,727.41
3. Actual hours of attendance	1,809.04
4. Independent Study/Work Experience	
a. Weekly	377.63
b. Daily	79.88
5. Summer inter-session	<u>1,780.51</u>
Total	<u>19,275.92</u>
B. Noncredit FTES:	
1. Actual hours of attendance	963.92
2. Summer inter-session	<u>160.46</u>
Total	<u>1,124.38</u>
Total FTES	<u>20,400.30</u>
C. Gross Square Footage:	
1. Existing facilities	983,466
2. New facilities	<u>-</u>
Total square footage	<u>983,466</u>
D. FTES in less than 100% leased space	<u>835.36</u>

We have examined the controls and procedures and tested supporting records of FTES' reports and supporting documents of attendance submitted as a basis for statement apportionments and allowances, to the extent considered necessary, and have assured ourselves that the reports fairly presented the information contained therein.

The accompanying notes are an integral part of these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORTS (CCFS-311)
WITH DISTRICT ACCOUNTING RECORDS

YEAR ENDED JUNE 30, 2003

	General Fund	Bond Interest & Redemption Fund (1)	Other Debt Service Fund	Child Development Fund	Capital Outlay Projects Fund (3)	Revenue Bond Construction Fund	Other Enterprise Fund (2)	Self-Insurance Fund	Student Financial Aid Fund
June 30, 2002, annual financial and budget report (Form CCFS-311) fund balance	\$ 7,494,682	681,290	1,106,452	90,842	5,342,172	38,693,660	629,855	187,134	184,213
Adjustments and reclassifications increasing (decreasing) the fund balance:									
Accounts receivable	(3,698,304)	-	-	-	(614,104)	-	-	39,754	(43,554)
Accounts payable	7,712,148	-	-	(1,416)	163,029	-	(3,289)	-	-
Accrued expenses	(62,838)	-	-	55,015	156,737	-	-	7,601	1,036
Deferred income	(377,061)	-	-	-	-	-	-	-	-
Certificates of participation	-	-	-	-	(7,766,000)	-	-	-	-
June 30, 2003 audited financial statements fund balance	\$ 11,068,630	n/a	1,106,452	144,441	(2,718,166)	38,693,660	626,566	234,489	141,695

1) The Bond Interest and Redemption Fund is not under the District's control. The District does not maintain a general ledger for this fund.

2) Community Service and Contract Education Fund

3) Only \$4,781,000 of certificates of participation have been drawn down as of June 30, 2003. The remaining \$2,985,000 will be drawn down in 03-04.

The accompanying notes are an integral part of these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
FUND BALANCE SHEETS FOR THE VARIOUS FUNDS

JUNE 30, 2003

	General Fund	Capital Outlay Projects Fund	Student Financial Aid Fund	Other Funds	Accounts Groups		Total
					General Assets	General Long-Term Debt	
ASSETS							
Cash in County Treasury	\$ 13,763,509	41,260,828	372,402	2,137,125	-	-	57,533,864
Cash in banks	918,622	-	-	357,129	-	-	1,275,751
Receivables	2,376,176	123,989	65,925	7,262	-	-	2,573,352
Due from other funds	306,088	-	-	1,364,691	-	-	1,670,779
Prepaid expenses	342,044	-	-	-	-	-	342,044
Fixed assets:							
Land, buildings and equipment	-	-	-	-	166,041,714	-	166,041,714
Amount to be provided for general obligation bonds	-	-	-	-	-	40,000,000	40,000,000
Amount to be provided for accrued vacation	-	-	-	-	-	1,711,965	1,711,965
Total assets	\$ 17,706,439	41,384,817	438,327	3,866,207	166,041,714	41,711,965	271,149,469
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ 1,611,655	628,322	288,419	14,965	-	-	2,543,361
Accrued expenses	1,156,205	-	-	1,433,206	-	-	2,589,411
Accrued vacation	-	-	-	-	-	1,711,965	1,711,965
Deferred revenue	2,505,258	-	8,213	-	-	-	2,513,471
Due to other funds	1,364,691	-	-	306,088	-	-	1,670,779
Bonds payable	-	-	-	-	-	40,000,000	40,000,000
Certificates of participation	-	4,781,000	-	-	-	-	4,781,000
Total liabilities	6,637,809	5,409,322	296,632	1,754,259	-	41,711,965	55,809,987
Fund balances:							
Investment in fixed assets	-	-	-	-	166,041,714	-	166,041,714
Reserved	2,022,049	-	-	-	-	-	2,022,049
Unreserved:							
Designated	6,565,164	35,975,495	141,695	2,111,948	-	-	44,794,302
Undesignated	2,481,417	-	-	-	-	-	2,481,417
Total fund balances	11,068,630	35,975,495	141,695	2,111,948	166,041,714	-	215,339,482
Total liabilities and fund balances	\$ 17,706,439	41,384,817	438,327	3,866,207	166,041,714	41,711,965	271,149,469

LONG BEACH COMMUNITY COLLEGE DISTRICT
 COMBINING STATEMENT OF FINANCIAL POSITION
 FOR DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED JUNE 30, 2003

	<u>Associated Student Body</u>	<u>Associated Student Body Enterprises</u>	<u>Total</u>
<u>ASSETS</u>			
Cash in banks	\$ 1,555,876	1,545,232	3,101,108
Receivables	-	33,883	33,883
Prepaid expenses	-	5,861	5,861
Inventory	-	858,687	858,687
Fixed assets:			
Land, buildings and equipment	-	<u>130,529</u>	<u>130,529</u>
Total assets	\$ <u>1,555,876</u>	<u>2,574,192</u>	<u>4,130,068</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 41,761	22,009	63,770
Accrued expenses	-	34,312	34,312
Compensated absences	-	69,129	69,129
Deferred revenue	235	-	235
Due to related groups	<u>304,755</u>	-	<u>304,755</u>
Total liabilities	<u>346,751</u>	<u>125,450</u>	<u>472,201</u>
Fund balances:			
Investment in fixed assets	-	130,529	130,529
Reserved	-	2,318,213	2,318,213
Unreserved:			
Designated	-	-	-
Undesignated	<u>1,209,125</u>	<u>-</u>	<u>1,209,125</u>
Total fund balances	<u>1,209,125</u>	<u>2,448,742</u>	<u>3,657,867</u>
Total liabilities and fund balances	\$ <u>1,555,876</u>	<u>2,574,192</u>	<u>4,130,068</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
 COMBINING STATEMENT OF ACTIVITIES
 FOR DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED JUNE 30, 2003

	<u>Associated Student Body</u>	<u>Associated Student Body Enterprises</u>	<u>Total</u>
Revenues:			
Auxiliary enterprise sales and charges	\$ 476,491	6,828,807	7,305,298
Other	33,611	202,220	235,831
Interest	<u>32,953</u>	<u>11,443</u>	<u>44,396</u>
Total revenues	<u>543,055</u>	<u>7,042,470</u>	<u>7,585,525</u>
Expenditures:			
Salaries	-	864,311	864,311
Employee benefits	-	329,615	329,615
Supplies, materials and other expenses	845,919	5,495,971	6,341,890
Depreciation	<u>-</u>	<u>48,699</u>	<u>48,699</u>
Total expenditures	<u>845,919</u>	<u>6,738,596</u>	<u>7,584,515</u>
Excess (deficit) of revenues over expenditures	<u>(302,864)</u>	<u>303,874</u>	<u>1,010</u>
Fund balance, beginning of year, as previously reported	1,149,603	2,150,241	3,299,844
Prior period adjustments	<u>362,386</u>	<u>(5,373)</u>	<u>357,013</u>
Fund balance, beginning of year, as restated	<u>1,511,989</u>	<u>2,144,868</u>	<u>3,656,857</u>
Fund balance, end of year	\$ <u>1,209,125</u>	<u>2,448,742</u>	<u>3,657,867</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTAL INFORMATION

JUNE 30, 2003

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures for Federal, State and Local Awards

The audit of the District for the year ended June 30, 2003, was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all Federally funded programs. To comply with A-133 and State requirements, the Schedule of Federal Awards and the Schedule of State Financial Awards was prepared for the District.

The Schedule of Workload Measures for State General apportionment represents the basis of apportionment of the District's annual source of funding.

Goodrich, Goodyear & Hinds

An Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

The Board of Trustees
Long Beach Community College District
Long Beach, California

We have audited the financial statements of the Long Beach Community College District for the year ended June 30, 2003, and have issued our report thereon dated November 21, 2003.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual (CDAM)*:

<u>Program Area Tested</u>	<u>Compliance Requirement</u>
Required Data Elements	Each district shall have the ability to support timely, accurate and complete information for the following workload measures used in the calculation of State General Apportionment: Credit Full-time Equivalent Student (FTES) in weekly census, daily census, actual hours of attendance and apprenticeship courses, Non-credit FTES in actual hour of attendance courses and distance education courses, Credit Student Headcount Data, and Gross Square Footage and FTES in less than 100% leased space.
Residency Determination For Credit Courses	Each district must act to ensure that only the attendance of California residents is claimed for State support of credit classes.
Enrollment Fee	Each district is required to report the total amount the students should have paid for enrollment fees for purposes of determining each district's share of apportionments annually.
Students Actively Enrolled	Each district shall claim, for apportionment purposes only, the attendance of students actively enrolled in a course section as of the census date.

<u>Program Area Tested</u>	<u>Compliance Requirement</u>
Concurrent Enrollment of K-12 Students in Community College Credit Courses	A district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if certain requirements are met, such as securing parental consent, open courses, credit course approval, instructor supervision, instructional contract, non-discrimination provisions, and special restrictions relating to a principal's recommendation of a pupil for attendance at a community college summer session.
Salaries of Classroom Instructors	Each district's salaries of classroom instructors shall equal or exceed 50% of the district's current expense of education (CEE) in accordance with Section 84362 of the Education Code.
Uses of Matriculation Funds	<p>Districts are required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and local funded portions, must be consistent with the district's State-approved matriculation plan and identifiable within the ten activities claimable against State matriculation funds. This 25% State Funds/75% Local Funds ratio applies district-wide, not per college or within individual activity groups.</p> <p>District must use the annual State matriculation allocation to expand levels of services that were in place in 1986/87, or to add entirely new services. The State allocation may not be used to supplant district-funded services, including personnel costs that existed in 1986/87 or before.</p>
Apportionment for Instructional Service Agreements/ Contracts	The District can claim FTES and, consequently, State funding for classes given through instructional service agreements/ contracts provided certain requirements are met. These requirements include a written agreement, instruction of approved programs, publishing of courses, qualification of instructors and control, supervision and responsibility over the educational programs. For courses conducted under a contractual agreement, the District must obtain a certification verifying that the instructional activity was not fully funded by other sources.

<u>Program Area Tested</u>	<u>Compliance Requirement</u>
Allocation of Costs (DSP&S and EOP&S)	Salaries of instructors teaching FTES-generating classes, school counselors providing advisement, Student Services at the Dean-level or above, and financial aid officers conducting need analysis are not considered supportable charges against either Extended Opportunity Programs and Services (EOP&S) or Disabled Student Programs and Services (DSP&S) accounts unless their activities require time to perform additional functions for the EOP&S or DSP&S programs which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S or DSP&S.
EOP&S Administrator/ Director Requirements	Districts accepting EOP&S funds are required to contribute from non-EOP&S sources for the salary of the EOP&S director/administrator at the rate of 100% of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.
Gann Limit Calculation	Each district's adopted annual financial and budget report shall include the appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Government Code Division 9 (commencing with Section 7900).
Scheduled Maintenance Program	Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the District's match for the Scheduled Maintenance Program for the year being audited.
Open Enrollment	Each district shall comply with the title V provisions of the California Code of Regulations related to open enrollment by the general public for all the courses being submitted for state apportionment funding.
Extended Opportunity Programs and Services (EOP&S)	Districts accepting EOP&S Funds shall operate within the program requirements as identified in Sections 69640-69657 of the California Education Code and Sections 56200-56298 of Title 5 of the California Code of Regulations

Program Area Tested

Compliance Requirement

Disabled Student Programs
and Services (DSP&S)

and within the general requirements as identified in Sections 66010-66022, 69500, 69503-69509.5, 69514 of the California Education Code and Sections 58600-58630 of Title 5 of the California Code of Regulations.

District accepting DSP&S funds shall operate within the program requirements as identified in Sections 14020, 14021, 67142, 67143, 67310-67314, 71020, 78600, 78600.5, 84320-84333, 84850, 84850.5 of the California Education Code and Sections 56000-56088 of Title 5 of the California Code of Regulations.

Cooperative Agencies
Resources for Education
(CARE)

Districts accepting CARE funds shall operate within the program requirements as identified in Sections 56200-56298 of Title 5 of the California Code of Regulations, Sections 79150-79155 of the California Education Code, CARE Program Guidelines and Requests for Waivers, and California Community Colleges Management Information Systems Data Element Dictionary.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for Finding 2003-2 described in the accompanying Schedule of Findings and Questioned Costs, the Long Beach Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2003.

This report is intended solely for the information and use of the District's management, the Board of Trustees, audit committee, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Long Beach, California
November 21, 2003

Goodrich, Goodyear & Hinds

An Accountancy Corporation

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

The Board of Trustees
Long Beach Community College District
Long Beach, California

Compliance

We have audited the compliance of Long Beach Community College 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, 2003. The District's major Federal programs are identified in the Summary of Auditors' 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 on the District's compliance with those requirements.

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, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, District management, and the District's Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Long Beach, California
November 21, 2003

Goodrich, Goodyear & Hinds

An Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

The Board of Trustees
Long Beach Community College District
Long Beach, California

We have audited the basic financial statements of Long Beach Community College District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 21, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to

significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition (Finding 2003-1) is described in the accompanying Schedule of Findings and Questioned costs.

This report is intended solely for the information and use of the Board of Trustees, District management, and the District's Federal and State awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Woodward, Holzgauer & Hinds

Long Beach, California
November 21, 2003

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2003

Part I - Summary of Auditors' Results

Financial Statements

1. The independent auditors' report on the financial statements expressed a qualified opinion.
2. There was a reportable condition in internal control over financial reporting.
3. No instances of noncompliance considered material to the financial statements was disclosed by the audit.

Federal Awards

1. No reportable conditions in internal control over compliance with requirements were applicable to major programs.
2. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
3. The District's major programs were:

<u>Name of Federal Program or Cluster (1)</u>	<u>CFDA Number</u>
Student Financial Aid (1):	
Federal Direct Loan	84.268
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Supplemental Educational Opportunity Grants	84.007
Federal Work Study Program	84.033
Scholarships for Disadvantaged Nursing Students	93.925
Title IV Project Launch	84.042A
Title IV Upward Bound	84.047

4. The dollar threshold to distinguish between Type A and type B programs is \$714,276.
5. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

State Awards

1. No reportable conditions in internal control over compliance requirements were applicable to State programs.
2. The independent auditors' report on State compliance requirements expressed an unqualified opinion.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

YEAR ENDED JUNE 30, 2003

Part II - Financial Statement Findings for the Year Ended
June 30, 2003

2003-1 Finding:

Issuance of Purchase Requisitions - During the course of our audit, we became aware of a weakness in the implementation of the internal controls over the use of purchase requisitions. A substantial number of purchase requisitions were dated subsequent to the actual vendor invoice dates. Apparently, many individuals with authority to purchase goods and services for various departments of the District are doing so with verbal orders to the vendors and then, subsequent to the receipt of the goods, services and actual invoice, are preparing the necessary requisitions for approval. This procedure is a result of a breakdown in internal controls and potentially could result in the incurrence of liability by the District for inappropriate purchases which would be prevented if prior approval was obtained.

Also, the purchase requisition is used by the accounting department to verify that there is adequate budget for the desired purchase. The ability to perform this procedure is nullified when the requisition is filled out after the receipt and invoicing of the purchase by the vendor.

Recommendation: We recommend that management review and adjust internal policies as necessary to prevent orders of goods and services without the appropriate timely prepared purchase requisitions and purchase orders being reviewed, approved, and a determination that adequate budget exists for such purchase.

District response: The District concurs and will take immediate action to make appropriate revisions and clarifications to board policies, board regulations, and the "Handbook of Purchasing Regulations and Procedures." To reinforce these procedures, a training program will be designed and provided at all levels of the college, including administrators, supervisors, and classified support staff. Further, a reporting system will be implemented to inform administrators of occurrences where invoices are received prior to the issuance of a purchase order.

Part III - Federal Award Findings and Questioned Costs for the
Year Ended June 30, 2003

None noted.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

YEAR ENDED JUNE 30, 2003

Part IV - State Award Findings and Questioned Costs for the Year
Ended June 30, 2003

1. Compliance Requirement: For all courses conducted under a contractual agreement, the District must receive certification verifying that the instructional activity conducted was not fully funded by other sources.

2003-2 Finding: Per the instructional service agreements selected for review, the District has failed to obtain the required certifications verifying that the direct education costs of the activity are not fully funded through other sources.

Recommendation: We recommend that the District modify its instructional service agreements to include required certification verifying that the direct education costs of the instructional activity are not fully funded by other sources.

District Response: The district concurs. All future instructional service agreements will include certification that the direct educational costs are not fully funded from another source. All existing agreements will be amended to include the required certification.

Goodrich, Goodyear & Hinds

An Accountancy Corporation

MANAGEMENT LETTER

The Board of Trustees
Associated Student Body (ASB) /
Associated Student Body Enterprises (ASBE)
Community College District
Long Beach, California

In planning and performing our audit of the basic financial statements of the ASB and ASBE of Long Beach Community College District for the year ended June 30, 2003, we considered their internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal controls. However, during our audit, we noted the following matters involving internal controls and their operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties

We noted that the supervisor has access to the banking, accounting, and disbursement functions. By allowing one individual to prepare deposits, enter the journal entries for the transaction and then reconcile the bank statements, this individual could potentially manipulate the records to conceal unauthorized disbursements or misappropriations.

We recommend that more formal segregation of duties be established to separate the treasury functions from the general ledger and check-signing functions.

Two-Signature Requirement

We also noted that, while the ASB and ASBE require two signatures for each check issued, the bank has not been notified of that requirement and will clear any check with just one signature. This potentially could allow a check signer to violate internal policies by issuing a check for unauthorized purposes with only their signature which would clear.

We recommend that the bank be given the necessary authorization to require two signatures on all checks.

Approval of Bank Reconciliations and Journal Entries

We noted that bank reconciliations and journal entries receive no supervisory review or approval.

We recommend that, for proper internal controls, a policy of requiring independent review and approval of all bank reconciliations and related journal entries be established. We also recommend that a hard copy printout of all journal entries be maintained to allow for proper documentation, review and approval as well as reduce the ability to hide potential unauthorized journal entries.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Woodrich, Woodgear & Hinds

Long Beach, California
November 21, 2003

LONG BEACH COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2003

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

	<u>Finding Ref. No.</u>	<u>Recommendation</u>	<u>Current Status</u>
Procurement requisitions are not identifying Federal source of funds.	2002-1	We recommend that a process, such as a special stamp with red ink, be developed that clearly identifies when a procurement is Federally funded.	Implemented