

LONG BEACH COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

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

June 30, 2011



**LONG BEACH
CITY COLLEGE**

LONG BEACH COMMUNITY COLLEGE DISTRICT

**AUDIT REPORT
June 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Long Beach Community College District
4901 E. Carson Street
Long Beach, CA 90808

We have audited the accompanying basic financial statements of the Long Beach Community College District, as of and for the year ended June 30, 2011 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Long Beach Community College District as of June 30, 2011, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011 on our consideration of the Long Beach Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Board of Trustees
Long Beach Community College District

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

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


VICENTI, LLOYD & STUTZMAN LLP

December 1, 2011

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Long Beach Community College District (the "District") for the year ended June 30, 2011. This discussion is prepared by management and should be read in conjunction with the financial statements and notes, which follow this section.

The District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 28,000 students at two campuses, the Liberal Arts Campus and the Pacific Coast Campus, and at various satellite locations. To serve its community, the District offers a comprehensive set of education programs and support services in response to student and community needs and plays a key role in transfer preparation, workforce development, basic skills, associate degrees, economic development, and lifelong learning.

Accounting Standards

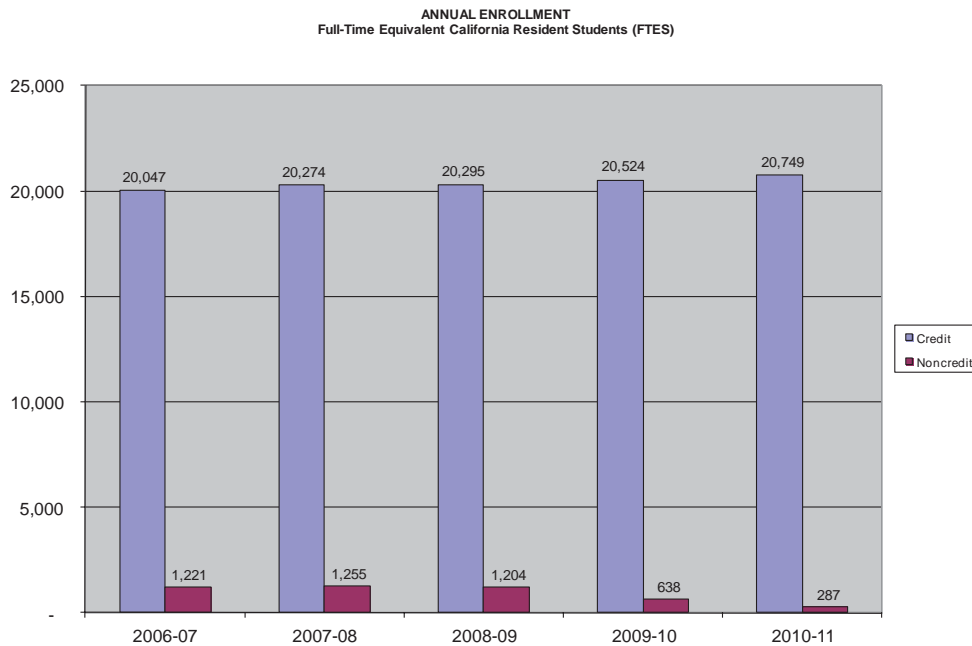
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which changed the reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applies these reporting standards to public colleges and universities. The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office recommended that all California community colleges follow these standards under the Business Type Activity (BTA) model. Nearly all public colleges and universities nationwide have selected the BTA reporting model, which makes it easier to display comparable data. As such, the District uses the BTA model for reporting its financial statements. Under the BTA model state and local taxes and investment income are classified as non-operating revenues.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2011

Selected Highlights

This section is to provide an overview of the District’s financial activities. A comparative analysis is included in the Management’s Discussion and Analysis using prior year information.

- Cash balance (cash and cash equivalents) current and restricted decreased \$57.8 million (29.5%) from \$195.8 million to \$138.0 million.
- Total operating and non-operating revenues increased \$9.3 million (4.6%) from \$202.3 million to \$211.6 million.
- In 2010-11 the District’s primary funding source was “State Apportionment Funding” received from the State of California through the State Chancellor’s Office. This funding is comprised of State apportionment, local property taxes, and student enrollment fees, which were \$26 per unit in the year ending June 30, 2011. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total apportionment eligible FTES were 21,036 for the 2010-11 fiscal year.
- Total ending fund balances (modified accrual basis) decreased \$48.3 million (23.5%) from \$205.4 million to \$157.1 million.
- Net assets for governmental activities decreased \$3.6 million (7.2%) from \$49.8 million to \$46.2 million.



LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2011

- The primary expenditure of the District is for the salaries and benefits for academic, classified, and administrative personnel. These costs decreased from the previous fiscal year by \$5.6 million to \$107.8 million. This 5.0% net decrease is due to management, classified and faculty furloughs and the classified step freeze.
- The District has made significant progress with the construction of new facilities including:

| Location | % Complete |
|--|------------|
| <u>Liberal Arts Campus</u> | |
| South Quad Complex | 100% |
| Parking Structure | 100% |
| Building O Renovation | 100% |
| Building A Renovation | 15% |
| Building I – Bookstore | 80% |
| <u>Pacific Coast Campus</u> | |
| Swing Space | 100% |
| Multi – Disciplinary Academic Building | 25% |
| Building CC Renovation | 1% |
| <u>Both Campuses</u> | |
| Infrastructure Upgrades | 70% |
| Landscape and Signage Upgrades | 20% |

Projects in the planning and design stages are:

- Student Services Center Retrofit (GG) – Pacific Coast Campus
- Math Tech & Culinary Arts Center – Liberal Arts Campus
- Nursing/Health Tech – Building C Modernization – Liberal Arts Campus

These projects were funded through the District’s \$616 million General Obligation Bond programs (Election 2002 and Election 2008), Bond Anticipation Notes (BAN), and/or State facilities construction program funding.

- The District provided student financial aid to qualifying students of the District in the amount of \$55.4 million. This represents a \$4.6 million increase from the 2009-10 fiscal year. This aid is provided through grants and loans from the Federal and State programs. The increase is primarily due to Federal Pell Grant maximums, which increased from \$5,350 per student to \$5,550 per student along with an increased number of applications. This is a 3.7% increase in financial support to students who received Pell grants.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Financial Statement Presentation and Basis of Accounting Governmental Funds

The District's financial report includes three primary financial statements: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, which provides an entity wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District governmental funds including Student Financial Aid Programs, Proprietary Funds and a portion of the Retiree Benefits Fund deemed to be governmental in nature.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting, which requires that revenues are recognized when earned and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2011 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net assets recorded on the full accrual basis of accounting is as follows:

| | |
|---|---------------------------|
| Unrestricted Fund Balance | \$ 18,145,681 |
| Restricted Fund Balance | 3,026,164 |
| Bond Interest and Redemption Fund Balance | 3,926,952 |
| Revenue Bond Construction Fund Balance (2008 Election) | 106,193,292 |
| Capital Outlay Projects Fund Balance | 9,387,735 |
| Child Development Fund Balance | 136,208 |
| Other Special Revenue Funds Balance (Veteran's Stadium Operation and Contract/Community Education) | 1,875,440 |
| Other Trust Fund Balance (Retiree Benefits) | 12,748,236 |
| Student Financial Aid and Trust Fund Balance | 121,523 |
| Self Insurance Fund Balance | <u>273,946</u> |
| Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311) | 155,835,177 |
| Auxiliary (not reported on CCFS-311) | <u>1,304,921</u> |
| Total Ending Fund balances | <u>\$ 157,140,098</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Amounts reported for governmental activities in the statement of net assets are different because of the following GASB 34/35 full accrual requirements:

| | |
|--|----------------------|
| Total Ending Fund balances | \$ 157,140,098 |
| Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets. Capital assets of \$341,797, are already reported in the Auxiliary Fund. | 289,190,295 |
| Compensated absences and load banking are not due and payable in the current period, and therefore are not reported in the governmental funds. Compensated absences and load banking of \$182,922 and \$62,808 are already reported in the Unrestricted General Fund and the Auxiliary, respectively. | (5,130,633) |
| Short-term and long-term liabilities for bonds and bond anticipation notes that are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Short-term and long-term liabilities are added to the statement of net assets which reduces the total net assets reported. | (384,973,560) |
| Issuance costs related to bonds incurred through June 30, 2011 are capitalized and added to total net assets. | 3,064,413 |
| Interest expense related to bonds and notes incurred through June 30, 2011 are required to be accrued under full accrual basis of accounting. This liability is added to the statement of net assets, which reduces the total net assets reported. | (8,394,835) |
| The supplemental employee retirement plan liability is not due and payable in the current period and, therefore, not reported as a liability in the governmental funds. | (1,149,863) |
| Estimated claims liability for self-insured risk of loss is not accrued in governmental funds. | (719,530) |
| Amounts for 2010-11 property taxes levied for debt service not received as of June 30, 2011. | 1,134,645 |
| Employer contributions for other postemployment retirement benefits which are less than the actuarially determined required contribution are recognized as a liability | (2,662,269) |
| Reduction for postemployment retirement benefits (OPEB) for amounts held in an irrevocable trust and reported as fiduciary activity. | <u>(1,257,339)</u> |
| Total Net Assets | <u>\$ 46,241,422</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year. It is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a "point-in-time" financial statement. The purpose of this statement is to present the readers with a fiscal snapshot of the District on June 30, 2011. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District. The change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

Cash and cash equivalents, current and restricted decreased \$57.8 million due mainly to spending \$38.7 million on construction projects and equipment purchases and \$27.4 million in capital principal and interest payments.

Accounts receivable increased \$2.2 million (7.2%) to \$33.5 million. This is the net effect of an increase in apportionment deferrals, grant receivables, a decrease in miscellaneous and student receivables and a write-off of bad debt expense for student receivables.

Capital assets increased 12.5% from \$257.3 million to \$289.5 million. This is the result of the District's continuing investment in constructing and renovating buildings at each of the District's two campuses.

Accounts payable and accrued liabilities decreased 30.4% from \$28.2 million to \$19.6 million mainly due to decrease bond project liabilities of \$9.9 million.

Total net assets decreased 7.2% from \$49.8 million to \$46.2 million. Major components comprising this decrease are the \$5.1 million increase in net assets invested in capital assets, net of related debt and by the \$5.7 million increase in unrestricted net assets, offset by the \$14.4 million decrease to restricted net assets.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

A summarized comparison of statement of net assets is presented below:

| | (in thousands) | (in thousands) | |
|---|------------------|------------------|---------------|
| | <u>2011</u> | <u>2010</u> | <u>Change</u> |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 115,748 | \$ 158,962 | -27.2% |
| Receivables | 33,471 | 31,232 | 7.2% |
| Inventories | 658 | 610 | 7.9% |
| Due from fiduciary fund | 259 | - | 100.0% |
| Prepaid expenses | <u>1,565</u> | <u>1,462</u> | 7.0% |
| Total current assets | <u>151,701</u> | <u>192,266</u> | -21.1% |
| Non-current assets | | | |
| Restricted cash and cash equivalents | 22,255 | 36,813 | -39.5% |
| Capitalized fees | 3,064 | 3,520 | -13.0% |
| Capital assets, net of depreciation | <u>289,532</u> | <u>257,326</u> | 12.5% |
| Total non-current assets | <u>314,851</u> | <u>297,659</u> | 5.8% |
| TOTAL ASSETS | <u>466,552</u> | <u>489,925</u> | -4.8% |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 19,605 | 28,165 | -30.4% |
| Due to fiduciary | 79 | 82 | -3.7% |
| Deferred revenue | 5,724 | 3,602 | 58.9% |
| Amounts held in trust for others | 21 | 43 | -51.2% |
| Estimated claims liability | 720 | 1,432 | -49.7% |
| Long-term liabilities - current portion | <u>9,548</u> | <u>8,858</u> | 7.8% |
| Total current liabilities | <u>35,697</u> | <u>42,182</u> | -15.4% |
| Non-current liabilities | | | |
| Long-term liabilities less current portion | <u>384,614</u> | <u>397,923</u> | -3.3% |
| Total non-current liabilities | <u>384,614</u> | <u>397,923</u> | -3.3% |
| TOTAL LIABILITIES | <u>420,311</u> | <u>440,105</u> | -4.5% |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | (4,063) | (9,189) | -55.8% |
| Restricted | 24,017 | 38,417 | -37.5% |
| Unrestricted | <u>26,287</u> | <u>20,592</u> | 27.7% |
| TOTAL NET ASSETS | <u>\$ 46,241</u> | <u>\$ 49,820</u> | -7.2% |

This schedule has been prepared from the Statement of Net Assets presented on page 1.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The components of net assets are investment in capital assets, restricted assets and unrestricted assets. The negative \$4.1 million in net assets invested in capital assets, net of related debt consists of \$289.5 million in capital assets, net of accumulated depreciation and Revenue Bond Construction Fund net assets of \$106.2 million, less \$385.0 million in bond and notes debt and \$14.8 million in BAN debt reserve.

\$24.0 million of restricted net assets are assets that must be used to meet the goals and purposes of the Federal, State, local, or private agencies providing the assets or amounts designated for debt services.

The value of unrestricted net assets was \$26.3 million. Many of the unrestricted net assets have been designated by the Board for such purposes as Federal and State grants objectives, outstanding commitments on contracts, and general reserves for the ongoing financial health of the District.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing educational and programmatic services to students, customers and constituencies of the District. Operating expenses are those expenses incurred to provide services provided in return for the operating revenues used to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided to the entity providing the revenues. For example, state appropriations are non-operating revenues because they are provided by the legislature to the District without the legislature directly receiving services for those revenues.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

A summarized comparison of the Statement of Revenues, Expense and Changes in Net Assets is presented below:

| | (in thousands) <u>2011</u> | (in thousands) <u>2010</u> | <u>Change</u> |
|---|-------------------------------|-------------------------------|---------------|
| Operating Revenues | | | |
| Net tuition and fees | \$ 4,060 | \$ 9,412 | -56.9% |
| Grants and contracts, non-capital | 77,460 | 73,576 | 5.3% |
| Auxiliary sales and charges | <u>6,452</u> | <u>6,995</u> | -7.8% |
| Total operating revenues | <u>87,972</u> | <u>89,983</u> | -2.2% |
| Operating Expenses | | | |
| Salaries and benefits | 107,755 | 113,392 | -5.0% |
| Supplies, materials and other operating expenses and services | 30,814 | 33,571 | -8.2% |
| Financial aid | 55,400 | 50,840 | 9.0% |
| Depreciation | <u>6,501</u> | <u>5,079</u> | 28.0% |
| Total operating expenses | <u>200,470</u> | <u>202,882</u> | -1.2% |
| Operating loss | <u>(112,498)</u> | <u>(112,899)</u> | -0.4% |
| Non-operating revenues | | | |
| State apportionments, non-capital | 88,041 | 82,673 | 6.5% |
| Local property taxes | 11,626 | 11,568 | 0.5% |
| State taxes and other revenues | 4,062 | 3,100 | 31.0% |
| Investment income, net | <u>583</u> | <u>453</u> | 28.7% |
| Total non-operating revenues | <u>104,312</u> | <u>97,794</u> | 6.7% |
| Other revenues, (expenses), gains or (losses) | | | |
| State apportionments, capital | 4,253 | 1,288 | 230.2% |
| Local property taxes and other revenues, capital | 13,080 | 11,821 | 10.7% |
| Investment income, capital | 1,937 | 1,432 | 35.3% |
| Interest expense | <u>(14,663)</u> | <u>(12,475)</u> | 17.5% |
| Total other revenues, (expenses), gains or (losses) | <u>4,607</u> | <u>2,066</u> | 123.0% |
| Change in net assets | (3,579) | (13,039) | -72.6% |
| Net assets, beginning of year as previously reported | <u>49,820</u> | <u>62,859</u> | -20.7% |
| Net assets, end of year | <u>\$ 46,241</u> | <u>\$ 49,820</u> | -7.2% |

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

While the distinction between operating and non-operating revenues is useful to managers for profit business enterprises, this distinction is not as important for managers of public sector community colleges. Therefore, to simplify the discussion, operating revenue, non-operating revenue and other revenues were combined in the following table:

| | (in thousands) 2011 | (in thousands) 2010 | Change |
|---------------------------------|-------------------------------|-------------------------------|---------------|
| Revenues | | | |
| Operating Revenues | \$ 87,972 | \$ 89,983 | -2.2% |
| Non Operating Revenues | 104,312 | 97,794 | 6.7% |
| Other Revenues | 19,270 | 14,541 | 32.5% |
| | <u>211,554</u> | <u>202,318</u> | 4.6% |
| Expense | | | |
| Operating Expenses | (200,470) | (202,882) | -1.2% |
| Other Expenses | (14,663) | (12,475) | 17.5% |
| Total Expenses | (215,133) | (215,357) | -0.1% |
| Change in Net Assets | (3,579) | (13,039) | -72.6% |
| Net Assets at beginning of year | 49,820 | 62,859 | -20.7% |
| Net Assets End of Year | <u>\$ 46,241</u> | <u>\$ 49,820</u> | -7.2% |

This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Assets presented on page 2.

Operating revenue decreased 2.2% due to the increase in BOGG fee waivers, and the decrease in non-resident and international student enrollment.

The 32.5% increase in other revenues is due to increase in State facilities construction revenue and property tax revenue.

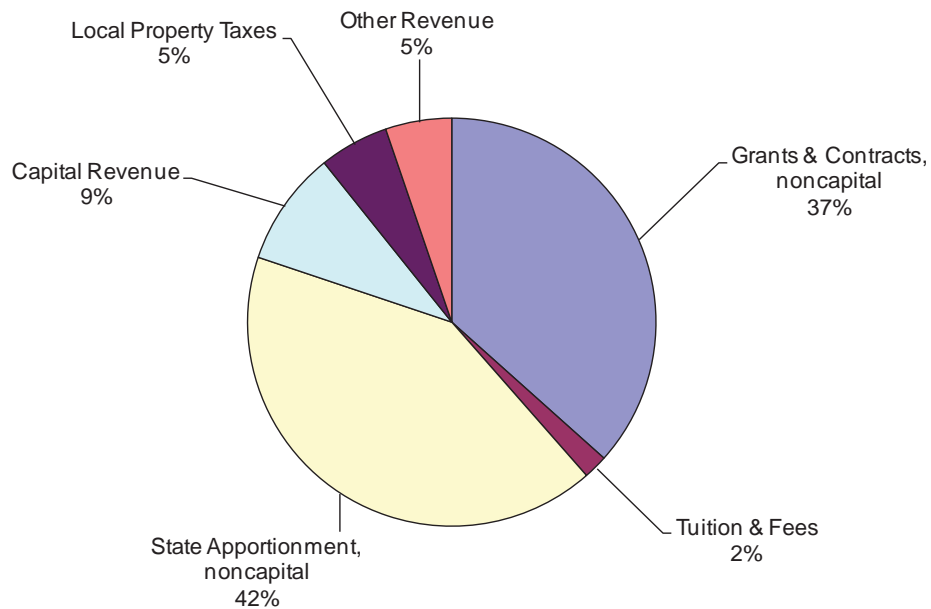
Operating expenses decreased 1.2%, which is the net effect of the increase in demand for financial aid less the cuts to salaries, due to furloughs, and operating expenses.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Total revenues were \$211.6 million while total expenditures were \$215.1 million. This yields a decrease in net assets of \$3.6 million, representing a 7.2% decrease in net assets.

The following charts show the sources of revenue to the District. The largest source (42%) is State apportionment, non-capital which is derived from the State's funding formula for Community Colleges.

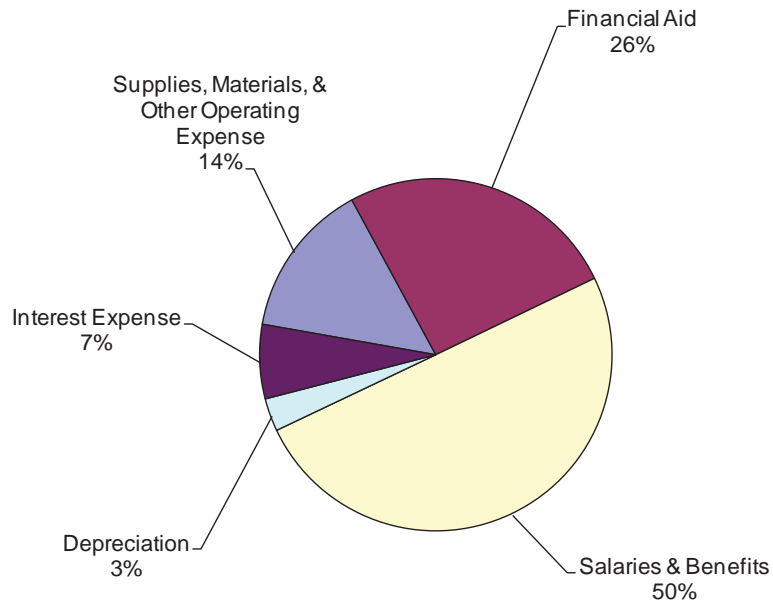
Revenue 2010-11



LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

The following chart shows where the District's money is spent. The largest category of expenses (50%) is for salaries and benefits. This reflects the college's reliance on faculty members and support staff to perform its educational mission.

Expenses 2010-11



LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into four parts: Cash Flows from Operating Activities, Cash Flows from Non-Capital Financing Activities, Cash Flows from Capital and Related Financing Activities, and Cash Flows from Investing Activities. The first part reflects operating cash flows and shows the net cash used for the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financial purposes. The third part shows net cash flows for capital projects and related financing activities. This part deals with the cash used for the construction and improvement of capital facilities and related items. The fourth part provides information from investing activities and the amount of interest received.

Operating activities – Cash receipts from operating activities are derived from a variety of sources, including from student fees, enterprise activities, and from Federal, State, local, and private grants. Uses of cash are salaries and benefits for employees, payments to vendors, and financial aid to students. Cash receipts and payments vary based on timing of the District receiving and disbursing cash; however, throughout the year, the District always maintained a positive cash position.

Non-capital financing activities – These cash sources include State apportionment, local property taxes, and grants.

Capital and related financing – The increased cash provided in the prior year is due to Bond Anticipation Notes (BAN) proceeds less purchases of capital assets and debt repayments. The net cash outflow in the current year includes expending those BAN proceeds on construction projects as planned, as well as interest paid on BAN debt.

The net change in cash, considering all sources and uses, was a decrease of \$57.8 million. This results in an end of year cash balance of \$138 million. As a matter of prudent financial management, the District maintains a positive cash position at all times.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

A summarized comparison of the Statement of Cash Flows is presented below:

| | (in thousands) <u>2011</u> | (in thousands) <u>2010</u> | <u>Change</u> |
|--|-------------------------------|-------------------------------|---------------|
| Cash Provided By (Used in) | | | |
| Operating activities | \$(102,861) | \$(112,534) | 8.6% |
| Non-capital financing activities | 97,337 | 94,830 | 2.6% |
| Capital and related financing activities | (52,820) | 155,658 | -133.9% |
| Investing activities | <u>572</u> | <u>526</u> | 8.7% |
| Net increase/(decrease) in cash and cash equivalents | (57,772) | 138,480 | -141.7% |
| Cash balance, beginning of year | <u>195,775</u> | <u>57,295</u> | 241.7% |
| Cash balance, end of year | <u><u>\$ 138,003</u></u> | <u><u>\$ 195,775</u></u> | -29.5% |

This schedule has been prepared from the Statement of Cash Flow presented on page 3.

Cash used in operating activities decreased due to an increase in receipts from Federal grants and their respective expense and a decrease in disbursements for salaries and operating expenses to address necessary budget cuts.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Capital Assets and Debt Administration

Capital Assets

In accordance with GASB requirements, all assets, including land, is recorded at historical cost. Actual fair-market value of land is substantially higher than historical cost. This is due to the fact that land for the Liberal Arts Campus and the Pacific Coast Campus was acquired approximately eighty years ago and land values in Southern California have increased over this time. On June 30, 2010, the District had \$257.3 million, net of depreciation, in a broad range of capital assets including land, buildings, equipment and construction in progress. During the 2010-11 fiscal year, the District continued to modernize various facilities throughout the District at a cost of \$38.7 million. At the end of the year capital assets, net of depreciation, were valued at \$289.5 million which is a 12.5% increase.

Note 5 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

| | (in thousands) Balance <u>June 30, 2011</u> | (in thousands) Balance <u>June 30, 2010</u> | <u>Change</u> |
|------------------------------------|---|---|---------------|
| Land | \$ 25,976 | \$ 25,699 | 1.1% |
| Site and Site Improvements | 253,304 | 224,547 | 12.8% |
| Equipment | 11,137 | 10,532 | 5.7% |
| Construction in Progress | <u>55,697</u> | <u>46,629</u> | 19.4% |
| Totals at historical cost | <u>346,114</u> | <u>307,407</u> | 12.6% |
| Less accumulated depreciation for: | | | |
| Site and Site Improvements | 47,812 | 42,236 | 13.2% |
| Equipment | <u>8,771</u> | <u>7,845</u> | 11.8% |
| Total accumulated depreciation | <u>56,583</u> | <u>50,081</u> | 13.0% |
| Governmental capital assets, net | <u>\$ 289,531</u> | <u>\$ 257,326</u> | 12.5% |

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Long-Term Debt

At the end of the year, the District had \$394.2 million in long-term debt. During the 2010-11 fiscal year, long-term debt decreased by \$12.6 million. This is due to bond payments (\$5.8 million) and the amortization of bond and BAN premiums less other additions.

Notes 6 through 10, as well as Notes 13 and 14, to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

| | (in thousands) Balance <u>June 30, 2011</u> | (in thousands) Balance <u>June 30, 2010</u> | <u>Change</u> |
|---|---|---|---------------|
| Compensated absences | \$ 5,376 | \$ 5,138 | 4.6% |
| General obligation bonds, net | 219,734 | 222,737 | -1.3% |
| Bond anticipation notes, net | 165,240 | 175,400 | -5.8% |
| Other postemployment benefits other than pensions (OPEB) | 2,662 | 1,417 | 87.9% |
| Supplemental employee retirement plan | <u>1,150</u> | <u>2,089</u> | -44.9% |
| Total long term debt | 394,162 | 406,781 | -3.1% |
| Total short term portion | <u>(9,548)</u> | <u>(8,858)</u> | 7.8% |
| Total long term portion | <u>\$ 384,614</u> | <u>\$ 397,923</u> | -3.3% |

District's Fiduciary Responsibility

The Futuris Public Entity Investment Trust (the Retiree Benefit Trust) was established in May 2006. The Retiree Benefit Trust is an irrevocable government trust for the purpose of funding post-employment health benefits. The District acts as the fiduciary of the Retiree Benefit Trust and the financial activity of the Retiree Benefit Trust has been discretely presented in the financial statements.

The District has the responsibility of accounting for the Associated Student Body Fund. These fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Economic Factors Affecting the Future of Long Beach Community College District

The economic position of Long Beach Community College District is closely tied to the economic health of the State of California. State apportionment and other State revenues, non-capital, of \$103 million support 53% of total operating expenses, excluding depreciation.

The continuing State budget deficits negatively impact future State funding projections. The 2011-12 State budget was based on optimistic revenue projections. November 2011 projections from the Legislative Analyst's Office (LAO) forecast state revenues at \$3.7 billion below budget assumptions. This indicates that both tier 1 and tier 2 triggers that were written into the 2011-12 State budget would be pulled, resulting in combined cuts of \$102 million to California community colleges and a \$10 enrollment fee increase in summer 2012. The 3.39% workload measure and severe State categorical cuts from 2009-10 continue into 2011-12. Increased apportionment deferrals put pressure on the District's cash-flow needs and decreases interest income. The District will continue to make appropriate budget cuts as needed to meet its educational mission and commitment to students.

These funding reductions pose a daunting challenge to the District, and ongoing difficult resource allocation decisions will have to be made. The planning, leadership and governance processes at Long Beach Community College District are strong. The District's governing board, administration and faculty are fully prepared to meet this challenge and continue to make the difficult resource allocation decisions.

On a positive note, the Retiree Health Benefit Fund balance increased from \$11.3 million to \$12.7 million, of this balance, \$1.2 million represents the ending fund balance of the irrevocable Retiree Benefit Trust reported in a separate statement of net assets and statement of changes in net assets for Other Postemployment Benefits Plan in accordance with GASB 43/45.

Ongoing construction projects will continue for the next several years; which will continue to increase the value of the District's capital assets because construction costs will be capitalized and capital assets will increase. There will be some additional costs for the operation and maintenance of those new facilities.

The District issued \$150 million in Bond Anticipation Notes in January, 2010 to continue to fund ongoing bond construction projects. These three-year notes mature in January, 2013. The District again issued \$10 million in Tax Revenue Anticipation Notes (TRAN) on July 1, 2011 due to cash flow needs caused by the potentially late State budget and increasing apportionment deferrals. An additional mid-year TRAN issuance is expected in the spring of 2012 to help with the low cash balances at the end of the fiscal year due to deferrals.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Contacting the District

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact John Thompson, Director of Fiscal Services, at: Long Beach Community College District, 4901 E. Carson Street – Y14, Long Beach, CA 90808, (562) 938-4102, or via email at jthompson@lbcc.edu.

BASIC FINANCIAL STATEMENTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

| | |
|---|--------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 115,747,715 |
| Accounts receivable, net | 33,471,241 |
| Due from fiduciary fund | 259,415 |
| Stores inventories | 657,521 |
| Prepaid expenses | <u>1,564,731</u> |
| Total Current Assets | <u>151,700,623</u> |
| Non-current Assets: | |
| Restricted cash | 22,255,142 |
| Capitalized fees | 3,064,413 |
| Land | 25,976,471 |
| Construction in process | 55,696,684 |
| Capital assets, net of accumulated depreciation | <u>207,858,937</u> |
| Total Non-current Assets | <u>314,851,647</u> |

TOTAL ASSETS \$ 466,552,270

LIABILITIES AND NET ASSETS

| | |
|--|--------------------|
| Current Liabilities: | |
| Accounts payable | \$ 10,211,221 |
| Accrued liabilities | 998,458 |
| Accrued interest payable | 8,394,835 |
| Due to OPEB Trust | 79,444 |
| Deferred revenue | 5,724,126 |
| Amounts held in trust for others | 21,179 |
| Estimated claims liability | 719,530 |
| Compensated absences - current portion | 2,077,414 |
| General obligation bonds payable - current portion | 6,706,959 |
| Supplemental employee retirement plan - current portion | <u>764,213</u> |
| Total Current Liabilities | <u>35,697,379</u> |
| Non-current Liabilities: | |
| Compensated absences | 3,298,949 |
| General obligation bonds payable | 213,026,601 |
| Bond anticipation notes (BAN) | 165,240,000 |
| Other postemployment benefits other than pensions (OPEB) | 2,662,269 |
| Supplemental employee retirement plan | <u>385,650</u> |
| Total Non-current Liabilities | <u>384,613,469</u> |

TOTAL LIABILITIES 420,310,848

NET ASSETS

| | |
|---|-------------------|
| Invested in capital assets, net of related debt | (4,062,984) |
| Restricted for: | |
| Capital projects | 9,387,735 |
| Debt service | 11,481,569 |
| Scholarships & loans | 121,524 |
| Other special services | 3,026,164 |
| Unrestricted | <u>26,287,414</u> |

TOTAL NET ASSETS 46,241,422

TOTAL LIABILITIES AND NET ASSETS \$ 466,552,270

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

| | |
|--|----------------------|
| OPERATING REVENUES | |
| Tuition and fees (gross) | \$ 11,301,774 |
| Less: Scholarship discounts and allowances | <u>(7,241,487)</u> |
| Net tuition and fees | 4,060,287 |
| Grants and contracts, non-capital: | |
| Federal | 61,599,124 |
| State | 11,149,559 |
| Local | 4,710,993 |
| Auxiliary enterprise sales and charges | <u>6,452,348</u> |
| TOTAL OPERATING REVENUES | <u>87,972,311</u> |
| OPERATING EXPENSES | |
| Salaries | 80,031,066 |
| Employee benefits | 27,724,180 |
| Supplies, materials, and other operating expenses and services | 28,075,080 |
| Financial aid | 55,400,189 |
| Utilities | 2,738,367 |
| Depreciation | <u>6,500,840</u> |
| TOTAL OPERATING EXPENSES | <u>200,469,722</u> |
| Operating loss | <u>(112,497,411)</u> |
| NON-OPERATING REVENUES | |
| State apportionments, non-capital | 88,041,552 |
| Local property taxes | 11,626,015 |
| State taxes and other revenues | 4,062,012 |
| Investment income - non-capital | <u>582,977</u> |
| TOTAL NON-OPERATING REVENUES | <u>104,312,556</u> |
| Loss before other revenues, (expenses), gains or (losses) | <u>(8,184,855)</u> |
| OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES) | |
| State apportionments, capital | 4,252,602 |
| Local property taxes and revenues, capital | 13,079,893 |
| Investment income - capital | 1,936,807 |
| Interest expense on capital asset-related debt | <u>(14,663,283)</u> |
| TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES) | <u>4,606,019</u> |
| Decrease in net assets | (3,578,836) |
| NET ASSETS, BEGINNING OF YEAR | <u>49,820,258</u> |
| NET ASSETS, END OF YEAR | <u>\$ 46,241,422</u> |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011**

| | |
|---|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and fees (net) | \$ 7,309,178 |
| Federal grants and contracts | 61,836,438 |
| State grants and contracts | 10,806,550 |
| Local grants and contracts | 5,065,957 |
| Enterprise sales and charges | 6,394,328 |
| Payments to suppliers | (30,098,796) |
| Payments to/on behalf of employees | (109,013,532) |
| Payments to/on behalf of students | (55,139,279) |
| Amounts received/(paid) in trust | <u>(21,751)</u> |
| Net cash used by operating activities | <u>(102,860,907)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| State apportionments and receipts | 81,465,574 |
| Property taxes | 11,897,201 |
| State tax and other revenues (payments) | <u>3,974,324</u> |
| Net cash provided by non-capital financing activities | <u>97,337,099</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| State apportionments for capital purposes | 6,907,414 |
| Local revenue for capital purposes | 13,042,340 |
| Interest on capital investments | 2,200,073 |
| Net purchases of capital assets | (47,561,675) |
| Principal paid on capital debt | (5,750,000) |
| Interest paid on capital debt | <u>(21,658,366)</u> |
| Net cash used by capital and related financing activities | <u>(52,820,214)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>571,973</u> |
| Net cash provided by investing activities | <u>571,973</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (57,772,049) |
| CASH BALANCE, Beginning of Year | <u>195,774,906</u> |
| CASH BALANCE, End of Year | <u><u>\$ 138,002,857</u></u> |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:**

| | |
|--|-------------------------|
| Operating loss | \$ (112,497,411) |
| Adjustments to reconcile net loss to net cash used by operating activities: | |
| Depreciation expense | 6,500,840 |
| Changes in assets and liabilities: | |
| Receivables, net | 3,926,503 |
| Inventory | (47,102) |
| Prepaid expenses | (85,475) |
| Accounts payable and accrued liabilities | 370,025 |
| Deferred revenue | (576,174) |
| Compensated absences | 238,067 |
| Due to OPEB Trust | 79,444 |
| Due to /from fiduciary | (341,753) |
| Estimated claims liability | (712,142) |
| Amounts held in trust for others | (21,751) |
| Other postemployment benefits other than pensions (OPEB) | 1,244,831 |
| Supplemental employee retirement plan | <u>(938,809)</u> |
| Net cash used by operating activities: | <u>\$ (102,860,907)</u> |
| Breakdown of ending cash balance: | |
| Cash and cash equivalents | \$ 115,747,715 |
| Restricted cash and cash equivalents | <u>22,255,142</u> |
| Total | <u>\$ 138,002,857</u> |
| Supplemental Disclosure | |
| Non cash capital and related financing activities: | |
| In kind contributions - capital assets | \$ 33,624 |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

| | Associated Student Body Fund |
|-----------------------------------|---|
| | <u> </u> |
| ASSETS | |
| Cash and cash equivalents | \$ 2,431,612 |
| TOTAL ASSETS | <u>2,431,612</u> |
| | |
| LIABILITIES AND NET ASSETS | |
| LIABILITIES | |
| Accounts payable | 14,848 |
| Due to District | 259,415 |
| Amounts held in trust | <u>382,623</u> |
| TOTAL LIABILITIES | <u>656,886</u> |
| | |
| NET ASSETS | |
| Unrestricted | <u>1,774,726</u> |
| TOTAL NET ASSETS | <u>\$ 1,774,726</u> |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2011

| | <u>Associated Student Body Fund</u> |
|--|---|
| ADDITIONS | |
| Student representation fee | \$ 699,890 |
| Other local sources | 41,204 |
| Interest and investment income | <u>6,492</u> |
| TOTAL ADDITIONS | <u>747,586</u> |
| DEDUCTIONS | |
| Salaries | 99,131 |
| Benefits | 37,425 |
| Supplies, materials, and other operating expenses and services | <u>949,245</u> |
| TOTAL DEDUCTIONS | <u>1,085,801</u> |
| Decrease in net assets | (338,215) |
| NET ASSETS AT BEGINNING OF YEAR | <u>2,112,941</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 1,774,726</u></u> |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET ASSETS

June 30, 2011

| | <u>Retiree Benefit Trust</u> |
|---|---|
| ASSETS | |
| Investments | \$ 1,177,895 |
| Due from governmental funds: | |
| Contributions receivable | <u>79,444</u> |
| TOTAL ASSETS | <u>1,257,339</u> |
| TOTAL NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS | <u>\$ 1,257,339</u> |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN NET ASSETS
For the Fiscal Year Ended June 30, 2011

| | <u>Retiree Benefit Trust</u> |
|--|----------------------------------|
| ADDITIONS | |
| Investment Income: | |
| Interest and investment income | \$ 41,889 |
| Realized gain on investments | 36,611 |
| Investment expense | <u>(11,550)</u> |
| Net investment income | 66,950 |
| Contributions | 175,592 |
| Miscellaneous income | <u>16,397</u> |
| TOTAL ADDITIONS | <u>258,939</u> |
| Increase in net assets | 258,939 |
| NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR | <u>998,400</u> |
| NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR | <u>\$ 1,257,339</u> |

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY:

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

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

A. REPORTING ENTITY: (continued)

Based upon the application of the criteria listed above, the following two potential component units have been included in the District's reporting entity through blended presentation:

Long Beach City College Auxiliary (The Auxiliary) – The Auxiliary is a separate not-for-profit corporation formed to promote and assist the educational program of the District. The Board of Directors is elected independent of any District Board of Trustee's appointments. The Board is responsible for approving their own budget and accounting and finance related activities; however, the District's governing board has fiscal responsibility over the Auxiliary. The activity of the Auxiliary has been blended in the District-wide financial statements. Individually prepared financial statements are not prepared for the Long Beach City College Auxiliary.

Futuris Public Entity Investment Trust (the Retiree Benefit Trust) – The Retiree Benefit Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits. The Long Beach City College Retirement Board of Authority (the Board of Authority) retains the responsibility to oversee the management of the Retiree Benefit Trust. The Board of Authority is comprised of the Vice President of Administrative Services, Vice President of Economic Development and Director of Fiscal Services. The financial activity of the Retiree Benefit Trust has been discretely presented.

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

Long Beach City College Foundation – The Foundation is a separate not-for-profit corporation created to promote the general welfare of the District by assisting and supporting the attainment of educational, athletic and cultural goals. The Foundation is not included as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation can be obtained through the District.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

B. FINANCIAL STATEMENT PRESENTATION:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Proprietary activities reported in the enterprise and internal service funds are included in the entity-wide perspective. Fiduciary activities, including Retiree Benefit Trust activities, are excluded from the basic financial statements. Student Financial Aid programs and retiree benefit activities not included in the Retiree Benefit Trust are included in the basic financial statements.

C. BASIS OF ACCOUNTING:

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

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated with exception of those between the District and its fiduciary funds.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

The statements of plan net assets and changes in plan net assets of the Retiree Benefit Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

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

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

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

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. All material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Account receivable from students for tuition and fees are recorded at gross amounts. Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

3. Stores Inventories

Inventory is expensed when purchased in the General Fund; these items consist of expendable instructional, custodial, health and other supplies for consumption. Inventory is valued at cost in the Auxiliary Fund and consists of items held for resale in the bookstore and text books and other items sold in the bookstore.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Prepaid expenses consist primarily of prepaid insurance premiums, maintenance agreements, professional services, and supplementary employee retirement plan payments.

5. 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 and amounts restricted for debt service payments on the general obligation bonds, and bond anticipation notes.

6. Investments

Investments in the Retiree Benefit Trust are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

7. Capitalized Fees

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

8. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in 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 buildings, 25 years for portable buildings, 20 years for building and land improvements, 5 years for equipment and vehicles and 3 years for technology.

9. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salary and benefits payable.

10. Deferred Revenue

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

11. Compensated Absences

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

Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carry forward for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee 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 when the employee retires and within the constraints of the appropriate retirement systems.

12. Net Assets

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 included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

12. Net Assets (continued)

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

13. State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2012 will be recorded in the year computed by the State.

The District has recorded accounts receivable of approximately \$21.3 million related to the deferred apportionment payment, net of property tax and enrollment fee revenue adjustments.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

14. Property Taxes

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

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

For the fiscal year 2010-11, the District received \$275,877 in local revenue from the California Statewide Delinquent Tax Finance Authority for the sale of delinquent tax receivables.

15. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all community college and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$924,000 for STRS.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

16. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

17. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

C. BASIS OF ACCOUNTING: (continued)

18. 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.

19. Tax Status

The Auxiliary qualifies as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code 23701d.

The Auxiliary has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Auxiliary's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Auxiliary files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Auxiliary is no longer subject to U.S. federal and state examinations by tax authorities for years before 2006.

20. Minimum Reserve Policy

The District has adopted a minimum reserve balance policy in order to protect against revenue short falls and unexpected one-time expenditures. The policy requires a reserve for contingencies consisting of unassigned amounts of no less than 5.5% of unrestricted general fund expenditures. This policy meets the minimum reserve balance recommended by the California Community College Chancellor's Office that districts provide for a minimum prudent reserve balance of 5% of unrestricted expenditures.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS:

A. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has established a policy for custodial risk. As of June 30, 2011, \$3,907,505 of the District's bank balance of \$5,317,008 was exposed to credit risk as follows:

| | |
|--------------------------------|--------------|
| Uninsured and uncollateralized | \$ 3,907,505 |
|--------------------------------|--------------|

B. Cash in County Treasury

In accordance with Title 5 and the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at unamortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2011, as provided by the pool sponsor, was \$133,718,074. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated.

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes and other contributions. The District had Cash in the County Treasury amounting to \$2,170,506 on June 30, 2011, which represents withholdings payable and amounts due to the general fund for payments made on the warrant pass-through fund's behalf.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

C. Investments

Investments held by the Futuris Public Entity Investment Trust (the Retiree Benefit Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Government Code Section 53620 through 53622. The Retiree Benefit Trust did not violate any provisions of the investment policy during the fiscal year ended June 30, 2011.

Investments held by the Retiree Benefit Trust at June 30, 2011 are presented below:

| <u>Investment</u> | <u>Fair Value</u> |
|--------------------------|-----------------------|
| Common Stock Mutual Fund | \$ 380,289 |
| Fixed Income Mutual Fund | <u>797,606</u> |
| Total | <u>\$1,177,895</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Retiree Benefit Trust does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Retiree Benefit Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital. As of June 30, 2011, the Retiree Benefit Trust's investments are in mutual funds which are not rated.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

C. Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, the Retiree Benefit Trust is exposed to concentration of credit risk whenever investments in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

The Retiree Benefit Trust's investment policy limits investments in any single equity security to be not more than 5%. In addition, the Retiree Benefit Trust's investment policy prohibits investments in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer. This limitation is not intended to apply to percentage of the Retiree Benefit Trust assets invested in a single diversified multi fund. Nor does the limitation apply to obligations of the U.S. Government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such obligations or securities. At June 30, 2011 the Retiree Benefit Trust had not invested more than 5% of its portfolio in one issuer.

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2011 consists of the following:

| | |
|------------------------------------|---------------------|
| Federal and State | \$25,802,185 |
| Miscellaneous | 4,007,437 |
| Due from Warrant Pass-Through Fund | 1,962,282 |
| Tuition and Fees | <u>1,699,337</u> |
| | <u>\$33,471,241</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 4 – INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when an interfund transfer is transacted after the close of the fiscal year. Interfund activity within the governmental funds has been eliminated in the basic financial statements.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2011:

| | Balance June 30, 2010 | Additions | Retirements | Balance June 30, 2011 |
|------------------------------------|--------------------------|----------------------|------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 25,698,996 | \$ 277,475 | \$ - | \$ 25,976,471 |
| Construction in progress | 46,628,845 | 36,038,848 | (26,971,009) | 55,696,684 |
| Total non-depreciated assets: | <u>72,327,841</u> | <u>36,316,323</u> | <u>(26,971,009)</u> | <u>81,673,155</u> |
| Depreciable assets: | | | | |
| Site and site improvements | 224,547,821 | 28,756,489 | - | 253,304,310 |
| Equipment | 10,532,048 | 605,184 | - | 11,137,232 |
| Total depreciable assets: | <u>235,079,869</u> | <u>29,361,673</u> | <u>-</u> | <u>264,441,542</u> |
| Less accumulated depreciation for: | | | | |
| Site and site improvements | 42,236,307 | 5,575,377 | - | 47,811,684 |
| Equipment | 7,845,458 | 925,463 | - | 8,770,921 |
| Total accumulated depreciation | <u>50,081,765</u> | <u>6,500,840</u> | <u>-</u> | <u>56,582,605</u> |
| Total depreciable asset, net | <u>184,998,104</u> | <u>22,860,833</u> | <u>-</u> | <u>207,858,937</u> |
| Governmental capital assets, net | <u>\$ 257,325,945</u> | <u>\$ 59,177,156</u> | <u>\$ (26,971,009)</u> | <u>\$ 289,532,092</u> |

NOTE 6 - TAX AND REVENUE ANTICIPATION NOTES (TRANS):

The District issued \$10,000,000 of Tax and Revenue Anticipation Notes dated October 14, 2010. The notes include interest at a rate of 2.00% and matured on June 30, 2011. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that \$5,000,000 be deposited with the County Treasurer prior to May 31, 2011, and a final payment of \$5,000,000 plus interest of \$142,222 on the notes be deposited prior to June 30, 2011. All deposits were made with County Treasurer on a timely basis.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS – MEASURE E (2002):

On March 5, 2002, \$176 million in general obligation bonds were authorized by an election held within Long Beach Community College District under Proposition 39/Measure E. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities.

During the fiscal year ended June 2003, 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 were issued as current interest bonds and contain an interest provision ranging from 2.5 percent to 5 percent, depending on the maturity date of the bond. The proceeds of such bonds are to be used for acquisition, construction, furnishing, and equipping of District facilities.

On November 29, 2005 the District offered for sale \$65,000,000 in General Obligation 2002 Election Series B (2005) Bonds. The bonds were issued as current interest bonds and contain an interest provision ranging from 3.75 percent to 5 percent, depending on maturity date of the bond. The proceeds of these bonds are to be used for acquisition, construction, furnishing and equipping of District facilities.

On November 29, 2005, the District offered for sale \$28,224,898 in General Obligation 2002 Election Series C (2005) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$21,485,000 and capital appreciation bonds in the aggregate principal amount of \$6,739,898. These bonds contain an interest provision ranging from 3.75 percent to 4.73 percent depending on maturity date of the bond. These bonds were issued to refund certain outstanding general obligation bonds (Series A) of the District and to pay for certain capital improvements.

The capital appreciation bonds were issued with maturity dates of May 1, 2014 through May 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2011, \$9,141,195 in accreted interest has been accrued and included in long-term debt.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS – MEASURE E (2002): (continued)

\$5,502,159 in proceeds, net of costs, from the refunding were deposited in the Revenue Bond Construction Fund. The balance of proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2011 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,175,000. This amount is scheduled to be repaid in May 2013. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,546,350. These savings resulted in a re-calculation of the collections and payments toward bond payoffs and are included in the consolidated schedule noted on the subsequent page. The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,048,716. Amortization of \$45,596 was recognized during the 2010-11 year.

On October 24, 2007, the District offered for sale \$70,999,987 in General Obligation 2002 Election Series D (2007) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$43,550,000 and capital appreciation bonds in the aggregate principal amount of \$27,449,987. These bonds contain an interest provision ranging from 3.63 percent to 6.01 percent depending on maturity date of the bond. These bonds were issued to be used for acquisition, construction, furnishing and equipping of District facilities.

The capital appreciation bonds were issued with maturity dates of May 1, 2013 through May 1, 2025. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2011, \$4,503,168 in accreted interest has been accrued and included in long-term debt.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Bonds included total premiums of \$10,733,216. This amount will be amortized using the straight-line method. Amortization of \$645,289 was recognized during the 2010-11 year.

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The Bonds included issuance costs of \$2,114,256. This amount will be amortized using the straight-line method. Amortization of \$99,540 was recognized during 2010-11.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS – MEASURE E (2002): (continued)

The following summarizes the outstanding bonded debt of Measure E (2002) at June 30, 2011.

| <u>Date of Issue</u> | <u>Interest Rate %</u> | <u>Original Maturity Dates (1)</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2010</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2011</u> |
|----------------------|------------------------|------------------------------------|---------------------------------|---------------------------------|------------------------------|----------------------------------|
| 04/30/03 A | 2.5-5.0% | 5/1/2004 to 8/1/2027 | \$ 40,000,000 | \$ 3,550,000 | \$ 1,135,000 | \$ 2,415,000 |
| 11/29/05 B | 3.75-5.0% | 5/1/2006 to 5/1/2030 | 65,000,000 | 59,410,000 | 850,000 | 58,560,000 |
| 11/29/05 C | 3.75-4.73% | 5/1/2006 to 5/1/2017 | 28,224,898 | 18,674,898 | 3,765,000 | 14,909,898 |
| 10/24/07 D | 3.63-6.01% | 5/1/2013 to 5/1/2032 | <u>70,999,987</u> | <u>70,999,987</u> | | <u>70,999,987</u> |
| | | | <u>\$204,224,885</u> | <u>\$152,634,885</u> | <u>\$ 5,750,000</u> | <u>\$ 146,884,885</u> |

⁽¹⁾ Final maturity date on refunded portion:
Series A 5/1/2013

The annual requirements to amortize all Measure E (2002) bonds payable, outstanding as of June 30, 2011, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Accreted Interest</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-----------------------|--------------------------|----------------------|-----------------------|
| 2012 | \$ 6,380,000 | \$ | \$ 5,434,170 | \$ 11,814,170 |
| 2013 | 7,158,580 | 56,420 | 5,188,750 | 12,403,750 |
| 2014 | 4,181,135 | 3,078,865 | 4,912,750 | 12,172,750 |
| 2015 | 4,550,469 | 3,454,531 | 4,850,750 | 12,855,750 |
| 2016 | 4,838,097 | 3,821,903 | 4,778,500 | 13,438,500 |
| 2017-2021 | 27,915,396 | 12,589,604 | 22,311,500 | 62,816,500 |
| 2022-2026 | 33,306,208 | 11,288,792 | 18,685,500 | 63,280,500 |
| 2027-2031 | 51,355,000 | | 9,188,000 | 60,543,000 |
| 2032 | <u>7,200,000</u> | | <u>360,000</u> | <u>7,560,000</u> |
| Total Debt Service | <u>\$ 146,884,885</u> | <u>\$ 34,290,115</u> | <u>\$ 75,709,920</u> | <u>\$ 256,884,920</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE E (2008):

On February 5, 2008, \$440 million in general obligation bonds were authorized by an election held within Long Beach Community College District under Proposition 39/Measure E. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities. In addition, proceeds will be used for the prepayment of certain lease and financing obligations of the District.

On July 8, 2009, the District offered for sale \$48,373,981 in General Obligation 2009 Election Series A (2009) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$24,990,000 and capital appreciation bonds in the aggregate principal amount of \$23,383,981. These bonds contain an interest provision ranging from 3.59 percent to 5.45 percent depending on maturity date of the bond. These bonds were issued to be used for acquisition, construction, furnishing and equipping of District facilities as well as the prepayment of obligations of the District as noted above.

The capital appreciation bonds were issued with maturity dates of June 1, 2012 through June 1, 2018 and June 1, 2027 through June 1, 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2011, \$3,610,109 in accreted interest has been accrued and included in long-term debt.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included a premium of \$1,060,612, which is amortized using the straight-line method. Amortization of \$42,425 was recognized during the 2010-11 year.

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The Bonds included issuance costs of \$1,130,044. This amount will be amortized using the straight-line method. Amortization of \$46,402 was recognized during 2010-11.

The following summarizes the outstanding bonded debt of Measure E (2008) at June 30, 2011.

| <u>Date of Issue</u> | <u>Interest Rate %</u> | <u>Maturity Dates</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2010</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2011</u> |
|----------------------|------------------------|-----------------------|---------------------------------|---------------------------------|------------------------------|----------------------------------|
| 7/8/2008 A | 3.59-5.45% | 6/1/2012 to 6/1/2033 | <u>\$ 48,373,981</u> | <u>\$ 48,373,981</u> | <u>\$ -</u> | <u>\$ 48,373,981</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE E (2008): (continued)

The annual requirements to amortize the Measure E (2008) bonds payable, outstanding as of June 30, 2011, are as follows:

| Fiscal Year Ending June 30, | Principal | Accreted Interest | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|-----------------------|
| 2012 | \$ 326,959 | \$ 48,041 | \$ 1,219,675 | \$ 1,594,675 |
| 2013 | 509,118 | 100,882 | 1,219,675 | 1,829,675 |
| 2014 | 657,319 | 167,681 | 1,219,675 | 2,044,675 |
| 2015 | 591,014 | 188,986 | 1,219,675 | 1,999,675 |
| 2016 | 740,302 | 289,698 | 1,219,675 | 2,249,675 |
| 2017-2021 | 9,329,901 | 1,465,099 | 5,849,250 | 16,644,250 |
| 2022-2026 | 18,455,000 | | 2,985,250 | 21,440,250 |
| 2027-2031 | 12,178,123 | 24,771,877 | | 36,950,000 |
| 2032-2033 | <u>5,586,245</u> | <u>15,053,755</u> | | <u>20,640,000</u> |
| Total Debt Service | <u>\$ 48,373,981</u> | <u>\$ 42,086,019</u> | <u>\$ 14,932,875</u> | <u>\$ 105,392,875</u> |

NOTE 9 – BOND ANTICIPATION NOTES:

On January 7, 2010, the District issued \$150,000,000 in bond anticipation notes. The notes were issued to finance the acquisition, construction, equipment, furnishings and improvement of certain District facilities.

The principal on the notes are payable only at maturity, and the District will pay interest on an annual basis. The interest rate is 9.85% per annum. The maturity date is January 15, 2013. The principal amount of the notes, together with the interest thereon, will be payable from the proceeds of any future sale of bonds pursuant to the authorization, or from other funds of the District lawfully available for the purpose of repaying the notes.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The notes included total premiums of \$30,480,000. This amount will be amortized using the straight line method. Amortization of \$10,160,000 was recognized during 2010-11.

Associated issuance costs are recorded as capitalized fees on the statement of net assets. The notes included issuance costs of \$930,000. This amount will be amortized using the straight-line method. Amortization of \$310,000 was recognized during 2010-11.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 9 – BOND ANTICIPATION NOTES: (continued)

The annual requirements to amortize the notes payable, outstanding as of June 30, 2011, are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|-----------------------|----------------------|-----------------------|
| 2012 | \$ | \$ 14,755,000 | \$ 14,755,000 |
| 2013 | <u>150,000,000</u> | <u>15,103,333</u> | <u>165,103,333</u> |
| Total Debt Service | <u>\$ 150,000,000</u> | <u>\$ 29,858,333</u> | <u>\$ 179,858,333</u> |

NOTE 10 – LONG-TERM DEBT:

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

| | Balance June 30, 2010 | Additions | Retirements | Balance June 30, 2011 | Balance Due In One Year |
|--|--------------------------|---------------------|----------------------|--------------------------|----------------------------|
| Compensated absences | \$ 5,138,296 | \$ 238,067 | \$ | \$ 5,376,363 | \$ 2,077,414 |
| General obligation bonds (2002 election): | | | | | |
| Bonds payable | 152,634,885 | | 5,750,000 | 146,884,885 | 6,380,000 |
| Accreted interest | 11,580,772 | 2,063,591 | | 13,644,363 | |
| Bond premium | 7,707,301 | | 645,289 | 7,062,012 | |
| Deferred liability | (820,736) | | (45,596) | (775,140) | |
| General obligation bonds (2008 election): | | | | | |
| Bonds payable | 48,373,981 | | | 48,373,981 | 326,959 |
| Accreted interest | 2,284,628 | 1,325,481 | | 3,610,109 | |
| Bond premium | 975,775 | | 42,425 | 933,350 | |
| Bond anticipation notes: | | | | | |
| Notes payable | 150,000,000 | | | 150,000,000 | |
| Notes premium | 25,400,000 | | 10,160,000 | 15,240,000 | |
| Other postemployment benefits other than pensions (OPEB) | 1,417,438 | 1,244,831 | | 2,662,269 | |
| Supplemental employee retirement plan | 2,088,672 | | 938,809 | 1,149,863 | 764,213 |
| | <u>\$ 406,781,012</u> | <u>\$ 4,871,970</u> | <u>\$ 17,490,927</u> | <u>\$ 394,162,055</u> | <u>\$ 9,548,586</u> |

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, net OPEB obligations and supplemental employee retirement plans. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. Bond anticipation notes are to be liquidated through a future general obligation bond issuance.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 11 – INTERNAL SERVICE ACTIVITY:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established an Internal Service Fund to account for and finance its risks of loss related to property and liability. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$10,000 for each general liability claim and \$5,000 for each property damage claim. The District participates in a JPA to provide excess insurance coverage above the member retained limit for property and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Funding is provided by transfers from the General Fund. Claims paid within the member retained limit during 2010-11 totaled \$85,592.

Prior to July 1, 2003, the District was self-insured for risks of loss related to workers' compensation. Under this program, the District provided funding ranging from \$100,000 up to a maximum of \$350,000, based on the claim year, for each workers' compensation claim. The District purchased commercial insurance and/or participated in a JPA to provide coverage for claims above the self-insured retention level to the statutory limit of \$1 million. Settled claims have not exceeded this additional coverage in any of the past three fiscal years.

Effective July 1, 2003, the District participates in a JPA that provides first-dollar coverage for risk of loss related to workers' compensation. The District continues to pay for run-off claims related to years prior to July 1, 2003. Run-off claims payment activity is reported in the District's General Fund. Run-off claims paid during 2009-10 totaled \$55,033.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 11 – INTERNAL SERVICE ACTIVITY: (continued)

Claims Liability

At June 30, 2011, the District accrued the worker's compensation claims liability for run-off claims in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of future liability is estimated at \$719,530. Changes in the reported liability are shown below:

| | <u>Beginning Fiscal Year Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Ending Fiscal Year Liability</u> |
|-----------------------|---|--|----------------------------------|--|
| Workers' Compensation | \$1,431,672 | \$ (626,550) | \$ (85,592) | \$ 719,530 |

An estimate for claims liability related to property and liability risk has not been recorded and is not believed to be material.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 12 - EMPLOYEE RETIREMENT PLANS:

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

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary for District employees and 8.0% of their salary for Auxiliary employees. The District and Auxiliary are 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 required employer contribution rate for fiscal year 2010-11 was 10.707% of annual payroll for the District and 30.236% of annual payroll for the Auxiliary. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

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

| Year Ended June 30, | STRS | | PERS | | |
|------------------------|--------------------------|------------------------|--------------------------------------|---------------------------------------|------------------------|
| | Required Contribution | Percent Contributed | Required Contribution District | Required Contribution Auxiliary | Percent Contributed |
| 2009 | \$3,804,273 | 100% | \$2,940,763 | \$ 190,086 | 100% |
| 2010 | 3,550,955 | 100% | 3,026,949 | 364,182 | 100% |
| 2011 | 3,777,985 | 100% | 3,113,728 | 162,849 | 100% |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

Alternative Retirement System (ARS)

Plan Description

The Alternative Retirement System Plan (ARS) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members are established and may be amended by the Governing Board of the District. The plan is administered by MidAmerica Administrative Solutions, Inc.

Funding Policy

The District does not contribute any percentage based on the employee's gross earnings. An employee is required to contribute 7.5% of his or her gross earnings to the pension plan. Total contributions were made by the employees in the amount of \$480,805 during the fiscal year. The total amount of covered compensation was \$6,410,679. Contributions made by the employee vest immediately.

NOTE 13 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

The District has four Supplemental Employee Retirement Plans for faculty and management/confidential employees. The accumulated future liability for the District at June 30, 2011 is \$1,149,863.

2005-06 Supplemental Employee Retirement Plan

In 2005-06, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees; this plan became effective July 1, 2006.

A total of 8 faculty and 1 management/confidential employee are participating. The District paid benefits of \$135,075 annually over five years totaling \$675,375. The first payment was made during 2006-07. The final payment was paid during 2010-11.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 13 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN: (continued)

2006-07 Supplemental Employee Retirement Plan

In 2006-07, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees.

One management/confidential employee is participating. The District paid benefits of \$39,521 annually through 2010-11 totaling \$197,605. The final payment was made during 2010-11.

2006-07 Supplemental Employee Retirement Plan

In 2006-07, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees, effective July 1, 2007.

A total of 21 faculty employees and 12 management/confidential are participating. The District will pay benefits of \$571,388 annually through 2011-12, beginning August 2007 for a total liability of \$2,888,138. The total remaining liability of \$571,388 has been reflected in these financial statements.

2009-10 Supplemental Employee Retirement Plan

In 2009-10, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty employees, effective December 31, 2009

Thirteen faculty employees are participating. The District will pay benefits of \$192,825 annually through 2013-14 for a total liability of \$964,125. The total remaining liability of \$578,475 has been reflected in these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 14 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description

The District provides employee health benefits coverage for eligible retirees and their families. Employees hired prior to February 1, 1995 who retire from District service are eligible for Option A or B. Employees hired after February 1, 1995 are eligible for Option B.

Option A:

An employee who retires from the District under PERS/STRS guidelines, after more than twelve/fifteen years of service for classified/academic qualifies for District-paid hospital-medical-benefits. Employees who retire under age 65 qualify for coverage up to age 67. Employees who retire after age 65 qualify for up to 4 years of coverage past retirement based on years of service.

Option B:

An employee, who retires from the District under PERS/STRS, after more than twelve/fifteen years of service for classified/academic qualifies for one year of District-paid hospital/medical benefits for every three/five years of full-time District service.

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

Membership of the plan consisted of the following at June 30, 2011:

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 258 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | <u>803</u> |
| Total | <u>1,061</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 14 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District incurs 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year 2010-11, the District contributed \$2,223,825 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

| | |
|--|---------------------------|
| Annual required contribution | \$3,460,567 |
| Interest on net OPEB obligation | 70,872 |
| Adjustment to annual required contribution | <u>(62,783)</u> |
| Annual OPEB cost (expense) | 3,468,656 |
| Contributions made | <u>(2,223,825)</u> |
| Change in net OPEB obligation | 1,244,831 |
| Net OPEB obligation - beginning of year | <u>1,417,438</u> |
| Net OPEB obligation - end of year | <u><u>\$2,662,269</u></u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 14 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the current fiscal year ended and previous two years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------------------------|------------------------------------|--|---------------------------------------|
| 6/30/2009 | \$ 2,303,765 | 94.8% | \$ 120,052 |
| 6/30/2010 | 3,461,252 | 62.5% | 1,417,438 |
| 6/30/2011 | 3,468,656 | 64.1% | 2,662,269 |

Funding Status and Funding Progress

As of September 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$31,394,983 and the unfunded actuarial accrued liability (UAAL) was \$30,230,355. The covered payroll (annual payroll of active employees covered by the plan) was \$62,401,719, and the ratio of the UAAL to the covered payroll was 48.44%. The District has established an irrevocable trust to mitigate the unfunded liability required by GASB 45. For fiscal year 2010-11, the District made contributions of \$175,592 to the Retiree Benefit Trust. The ending reserve balance in the Retiree Benefit Trust totaled \$1,257,339 at June 30, 2011. Additionally, the District maintains a retiree benefits fund to designate resources for retiree health care costs. Assigned resources in the fund totaled \$11,490,898 at June 30, 2011.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 14 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress (continued)

The accompanying schedule of employer contributions, also presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial Methods and Assumptions

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

For the September 1, 2009 actuarial valuation, the most recent actuarial valuation performed, the entry age normal cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using the asset values provided by the District and used a 15 year smoothing formula and a 20% corridor around market value. The initial UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was twenty-eight years. The remaining UAAL is being amortized as a level percentage of projected payroll over a 30 year amortization period. However, it was not necessary at this time for the District to make an election with respect to whether to use an “open” or “closed” amortization period.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 15 - JOINT VENTURES (JOINT POWERS AGREEMENTS):

The District participates in four joint Powers Agreements (JPA) entities: Protective Insurance Program for Schools (PIPS), School's Association for Excess Risk (SAFER), Statewide Educational Wrap-up Program (SEWUP), and the Statewide Association of Community Colleges (SWACC). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

PIPS provides workers' compensation insurance protection to its membership of public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

SAFER provides excess insurance coverage for liability losses from \$1,000,000 to \$25,000,000 and \$5,000,000 to \$250,000,000 for excess property coverage.

SEWUP is a consolidated construction insurance program covering the job-site risks of: District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. Membership is comprised of 400 California Schools and Community College Districts. Premiums are determined for each construction project or projects.

SWACC provides liability and property insurance for forty-seven community colleges. SWACC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the Board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Long Beach Community College District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. All JPA's maintain their own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 15 - JOINT VENTURES (JOINT POWERS AGREEMENTS): (continued)

The relationships between the Long Beach Community College District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information for the most current information available is as follows:

| | PIPS 6/30/2011 <u>(Audited)</u> | SAFER 6/30/2011 <u>(Unaudited)</u> | SEWUP 6/30/2011 <u>(Unaudited)</u> | SWACC 6/30/2011 <u>(Unaudited)</u> |
|----------------------|---------------------------------------|--|--|--|
| Total assets | \$ 93,970,269 | \$ 1,160,583 | \$ 20,162,417 | \$ 45,222,215 |
| Total liabilities | <u>71,211,379</u> | <u>972,244</u> | <u>13,486,288</u> | <u>21,819,352</u> |
| Net assets | <u>\$ 22,758,890</u> | <u>\$ 188,339</u> | <u>\$ 6,676,129</u> | <u>\$ 23,402,863</u> |
| Total revenues | \$ 6,895,722 | \$ 41,303,388 | \$ 9,278,074 | \$ 10,467,082 |
| Total expenditures | <u>14,184,665</u> | <u>41,256,419</u> | <u>10,715,886</u> | <u>11,665,586</u> |
| Change in net assets | <u>\$ (7,288,943)</u> | <u>\$ 46,969</u> | <u>\$ (1,437,812)</u> | <u>\$ (1,198,504)</u> |

NOTE 16 – FUNCTIONAL EXPENSES:

| | Salaries | Employee Benefits | Supplies, Materials, Utilities Other Expenses and Services | Student Financial Aid | Depreciation | Total |
|--|---------------------|----------------------|---|-----------------------------|---------------------|----------------------|
| Instructional | \$39,129,592 | \$11,961,596 | \$ 2,062,519 | \$ | \$ | \$ 53,153,707 |
| Academic Support | 8,033,190 | 2,609,752 | 395,104 | | | 11,038,046 |
| Student Services | 10,963,304 | 3,611,556 | 716,397 | | | 15,291,257 |
| Operation & Maintenance of Plant | 4,662,677 | 1,535,988 | 2,925,329 | | | 9,123,994 |
| Institutional Support | 10,953,425 | 3,611,723 | 5,621,559 | | | 20,186,707 |
| Community Services and Economic Development | 2,683,903 | 884,137 | 4,365,977 | | | 7,934,017 |
| Ancillary Services and Auxiliary Operations | 3,534,366 | 1,356,155 | 6,185,088 | | | 11,075,609 |
| Student Aid | | | | 55,400,189 | | 55,400,189 |
| Other Outgo | 70,609 | 2,153,273 | 8,541,474 | | | 10,765,356 |
| Depreciation Expense | | | | | <u>6,500,840</u> | <u>6,500,840</u> |
| Total | <u>\$80,031,066</u> | <u>\$27,724,180</u> | <u>\$ 30,813,447</u> | <u>\$55,400,189</u> | <u>\$ 6,500,840</u> | <u>\$200,469,722</u> |

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 17 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Award and Grants

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

B. Purchase Commitments

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$32.5 million. Projects will be funded through bond anticipation notes proceeds and state funding for capital outlay projects.

C. Litigation

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

NOTE 18 - SUBSEQUENT EVENT:

Tax and Revenue Anticipation Notes

The District issued \$10,000,000 of tax and revenue anticipation notes dated July 1, 2011. The notes include interest at a rate of 2.00% and mature on June 29, 2012. The notes were sold by the District to supplement its cash flow.

Repayment requirements are that \$5,000,000 be deposited with the County Treasurer in January, 2012, and a final payment of \$5,000,000, plus an amount sufficient to pay interest on the notes, be deposited in February, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2011

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (AVA)</u> | <u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funding Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---------------------------------|--|---|--|----------------------|------------------------|--|
| 3/1/2007 | \$ 104,389 | \$ 19,923,941 | \$ 19,819,552 | 0.52% | \$ 59,365,956 | 33.39% |
| 9/1/2009 | 1,164,628 | 31,394,983 | 30,230,355 | 3.71% | 62,401,719 | 48.44% |

Note: In May 2006, the District established an irrevocable trust for investment and disbursement of funds for the payment of its obligation to eligible employees. At June 30, 2011, the balance in the trust was \$1,257,339 from District contributions net of trust activities.

In addition, the District does maintain a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2011, the fund's assigned balance was \$11,490,898.

Fiscal year 2007-08 was the year of implementation of GASB Statement No. 43 for the District's postemployment benefit plan reported as an agency fund in the financial statements with subsequent implementation of GASB Statement No. 45 in fiscal year 2008-09. The District elected to implement prospectively, therefore, only two years of comparative actuarial data is available. In future years, three year actuarial trend information will be presented.

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2011

| <u>Year Ended June 30,</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|---|--|--|
| 2009 | \$ 2,303,765 | 94.8% |
| 2010 | 3,460,567 | 62.5% |
| 2011 | 3,460,567 | 64.3% |

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Postemployment Healthcare Benefits Funding Progress

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

B. Schedule of Employer Contributions

This schedule is prepared in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2011

Long Beach Community College District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 27,000 students at two distinct but highly inter-related campuses, the Liberal Arts Campus and the Pacific Coast Campus, and at numerous satellite locations. To serve its community, Long Beach Community College District offers a comprehensive set of education programs and support services in response to student and community needs and plays a key role in transfer preparation, workforce development, basic skills, associate degrees, economic development, and lifelong learning.

BOARD OF TRUSTEES

| <u>Members</u> | <u>Office</u> | <u>Term Expires</u> |
|------------------------|-----------------|---------------------|
| Mr. Douglas W. Otto | President | April 2012 |
| Mr. Roberto Uranga | Vice President | April 2012 |
| Dr. Thomas J. Clark | Member | April 2014 |
| Mr. Mark J. Bowen | Member | April 2014 |
| Mr. Jeffrey A. Kellogg | Member | April 2014 |
| Ms. Amy Leinen | Student Trustee | May 2012 |

ADMINISTRATION

| | |
|---------------------|---|
| Mr. Eloy O. Oakley | Superintendent - President |
| Ms. Ann-Marie Gabel | Vice President, Administrative Services |
| Mr. Don Berz | Executive Vice President, Academic Affairs |
| Dr. Greg Peterson | Vice President, Student Support Services |
| Ms. Lou Anne Bynum | Vice President, Economic and Resource Development |
| Ms. Rose Del Gaudio | Vice President, Human Resources |

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

| <u>Program Name</u> | <u>Federal Catalog Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Program Expenditures</u> |
|---|-------------------------------|---|-----------------------------------|
| Federal Categorical Aid Programs: | | | |
| Student Financial Aid Cluster | | | |
| Department of Education | | | |
| Direct: | | | |
| Supplemental Educational Opportunities Grant (SEOG) | 84.007 | n/a | \$ 333,726 |
| Administrative Allowance - Campus Based Programs | 84.000 | n/a | 59,384 |
| Federal Work Study (FWS) | 84.033 | n/a | 712,572 |
| Administrative Allowance - Pell | 84.063 | n/a | 60,965 |
| Pell Grant | 84.063 | n/a | 42,932,236 |
| William D. Ford Direct Loan Program | 84.268 | n/a | 8,108,388 |
| Academic Competitiveness Grant (ACG) | 84.375 | n/a | 280,960 |
| Total Department of Education | | | <u>52,488,231</u> |
| Department of Health and Human Services | | | |
| Direct: | | | |
| Scholarship for Disadvantage Nursing Students | 93.925 | n/a | 26,814 |
| Total Department of Health and Human Services | | | <u>26,814</u> |
| Total Student Financial Aid Cluster | | | <u>52,515,045</u> |
| TRIO Cluster | | | |
| Department of Education | | | |
| Direct: | | | |
| Student Support Services-Project Launch | 84.042A | n/a | 275,399 |
| Student Support Services-Disabled | 84.042A | n/a | 324,901 |
| Upward Bound | 84.047A | n/a | 499,068 |
| Total TRIO Cluster | | | <u>1,099,368</u> |
| Workforce Investment Act - Allied Health Care Cluster | | | |
| Department of Labor | | | |
| Pass-Through Program from Chancellor's Office of California Community Colleges: | | | |
| American Recovery and Reinvestment Act: Workforce Investment Act - Allied Health Care | 17.000 | (1) | 14,790 |
| Workforce Investment Act - Allied Health Care | 17.258 | (1) | 14,773 |
| Total Workforce Investment Act - Allied Health Care Cluster | | | <u>29,563</u> |
| Department of Agriculture | | | |
| Direct: | | | |
| Child Nutrition Program | 10.558 | n/a | 57,035 |
| Department of Justice | | | |
| Direct: | | | |
| Earmarks | 16.000 | n/a | 19,744 |
| Department of Labor | | | |
| Pass-Through Program from the Chancellor's Office of California Community Colleges: | | | |
| American Recovery and Reinvestment Act: Stimulus Health Program | 17.000 | (1) | 20,727 |
| Pass-Through Program from the City of Long Beach: | | | |
| American Recovery and Reinvestment Act: Green Building and Clean Energy | 17.258 | (1) | 5,456 |
| Pass-Through Program from the Employment Development Department: | | | |
| American Recovery and Reinvestment Act: Green Building and Clean Energy | 17.258 | (1) | 650,093 |
| Pass-Through Program from San Bernardino Community College District: | | | |
| American Recovery and Reinvestment Act: Radio Frequency Identification (RFID) | 17.275 | (1) | 150,987 |
| Pass-Through Program from San Mateo County Community College District: | | | |
| Employment Service/Wagner-Peyser Funded Activities (Green Innovation Challenge) | 17.207 | (1) | 145,496 |
| Total Department of Labor | | | <u>972,759</u> |

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

| <u>Program Name</u> | <u>Federal Catalog Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Program Expenditures</u> |
|--|-------------------------------|---|-----------------------------------|
| Department of State | | | |
| Pass-Through Program from the Foundation for California Community Colleges: Academic Exchange Programs - Undergraduate Programs | 19.009 | (1) | <u>143,325</u> |
| Small Business Development Center | | | |
| Direct: Small Business Development Center (SBDC) | 59.037 | n/a | <u>3,453,966</u> |
| National Science Foundation | | | |
| Pass-Through from Mt Sac Community College District: Internet Security Collaborative | 47.000 | (1) | 2,956 |
| Pass-Through from Monterey Peninsula College: Innovative Technology Experiences for Students and Teachers | 47.000 | (1) | <u>12,442</u> |
| Total National Science Foundation | | | <u>15,398</u> |
| Department of Veterans Affairs | | | |
| Direct: Post 9/11 Veteran Education Assistant - GI Bill Chapter 33 | 64.028 | n/a | <u>340,421</u> |
| Department of Energy | | | |
| Pass-Through Program from the Employment Development Department: American Recovery and Reinvestment Act: Green Building and Clean Energy | 81.041 | (1) | <u>598,192</u> |
| Department of Education | | | |
| Direct: Title V: Support and Knowledge Improves Latino Learning Success (SKILLS) Veteran's Education | 84.031S 84.065 | n/a n/a | 641,297 <u>4,547</u> |
| Subtotal Direct Programs | | | <u>645,844</u> |
| Pass-Through Programs from the California Community College Chancellor's Office: Career Technical Education: Perkins Title I-C Tech Prep Education American Recovery and Reinvestment Act: State Fiscal Stabilization Fund | 84.048 84.243 84.394 | (1) (1) (1) | 1,087,011 69,708 58,787 |
| Pass-Through Program from Long Beach Unified School District: Gear Up | 84.334A | (1) | <u>60,002</u> |
| Subtotal Department of Education Pass-Through Programs | | | <u>1,275,508</u> |
| Total Department of Education | | | <u>1,921,352</u> |
| Department of Health and Human Services | | | |
| Pass-Through Program from the California Community College Chancellor's Office: Temporary Assistance for Needy Families (TANF) | 93.558 | (1) | 220,941 |
| Pass-Through Program from the California Community College Chancellor's Office: Foster Care - Title IV - E | 93.658 | (1) | <u>80,154</u> |
| Total Department of Health and Human Services | | | <u>301,095</u> |
| Corporation for National and Community Service (CNCS) | | | |
| Direct: Americorps National Service Awards | 94.006 | n/a | <u>131,861</u> |
| Total Federal Grants | | | <u>\$ 61,599,124</u> |
| Student Financial Aid Loan Programs: | | | |
| <u>Loans Outstanding</u> | | | |
| Long Beach Community College District had the following loan balance outstanding as of 6/30/11: | | | |
| Perkins Program | 84.038 | n/a | \$ 1,995,267 |

Note: (1) Pass-through entity identifying number not readily available.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2011**

| Program Name | Cash Received | Accounts Receivable | Deferred Revenue | Accounts Payable | Total | Program Expenditures |
|---|---------------------|------------------------|---------------------|---------------------|---------------------|-------------------------|
| State Categorical Aid Programs: | | | | | | |
| Basic Skills | \$ 953,831 | \$ | \$ 468,849 | \$ | \$ 484,982 | \$ 484,982 |
| Block Grant - Instructional Equipment | 149,392 | | | | 149,392 | 149,392 |
| Board of Governors Financial Assistant Program (BFAP) | 913,994 | | 56,790 | | 857,204 | 857,204 |
| CatWORKS | 579,700 | | | | 579,700 | 579,700 |
| Cooperative Agencies Resources for Education (CARE) | 164,862 | | | 703 | 164,159 | 164,159 |
| Disabled Student Program and Services (DSPS) | 965,645 | | | | 965,645 | 965,645 |
| Extended Opportunities Program and Services (EOPS) | 1,129,699 | | | 13,281 | 1,116,418 | 1,116,418 |
| Matriculation - Credit | 636,056 | | | | 636,056 | 636,056 |
| Matriculation - Non-Credit | 115,001 | | | | 115,001 | 115,001 |
| Nursing Faculty Retention Program | 117,623 | 16,736 | | | 134,359 | 134,359 |
| Staff Diversity | 43,450 | | 7,502 | | 35,948 | 35,948 |
| State Jobs Bill Grant | 1,558,128 | | | | 1,558,128 | 1,558,128 |
| Total State Programs | \$ 7,327,381 | \$ 16,736 | \$ 533,141 | \$ 13,984 | \$ 6,796,992 | \$ 6,796,992 |

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2011**

| | Annual - Factored FTES | | |
|---|-------------------------------|------------------------------|-------------------------|
| | Reported Data | Audit Adjustments | Audited Data |
| A. Summer Intersession (Summer 2010 only) | | | |
| 1. Noncredit ¹ | 6.29 | | 6.29 |
| 2. Credit | 1,518.73 | | 1,518.73 |
| B. Summer Intersession (Summer 2011 - Prior to July 1, 2011) | | | |
| 1. Noncredit ¹ | - | | - |
| 2. Credit | - | | - |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 15,098.04 | | 15,098.04 |
| (b) Daily Census Contact Hours | 3,772.54 | (3.33) | 3,769.21 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit ¹ | 280.99 | | 280.99 |
| (b) Credit | 346.81 | 3.14 | 349.95 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 10.90 | | 10.90 |
| (b) Daily Census Contact Hours | 1.93 | | 1.93 |
| (c) Noncredit Independent Study/Distance Education Courses | N/A | | N/A |
| D. Total FTES | 21,036.23 | (0.19) | 21,036.04 |
| Supplemental Information (subset of above information) | | | |
| E. In-Service Training Courses (FTES) | 283.81 | | |
| H. Basic Skills courses and Immigrant Education | | | |
| (a) Noncredit ¹ | 262.61 | | |
| (b) Credit | 1,293.83 | | |
| <u>CCFS 320 Addendum</u> | | | |
| CDCP Noncredit FTES | 158.21 | | |
| Centers FTES | | | |
| Noncredit | 189.54 | | |
| Credit | 4,424.75 | | |

¹ Including Career Development and College Preparation (CDCP) FTES
N/A - Workload Measure is not applicable

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2011

| | <u>Associated Student Body Fund</u> |
|---|--|
| June 30, 2011 Annual Financial and Budget Report Fund Balances | \$ <u>2,053,952</u> |
| Adjustments and reclassifications: | |
| Post closing entries – overstatement of revenue | <u>(279,226)</u> |
| Net Adjustments and reclassifications | <u>(279,226)</u> |
| June 30, 2011 Audited Financial Statement Fund Balances | \$ <u>1,774,726</u> |

The financial data for the activity of the Auxiliary is a component part of these financial statements that are not reported in the District's CCFS-311 series.

Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,**

| | (Budget) 2012 (3) | | 2011 | | 2010 | | 2009 | |
|--|--------------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| <u>COMBINED GENERAL FUND:</u> | | | | | | | | |
| <u>Revenue</u> | | | | | | | | |
| Federal | \$ 8,020,973 | 6.2 | \$ 9,698,604 | 7.7 | \$ 9,037,366 | 7.0 | \$ 7,939,798 | 5.7 |
| State | 92,193,066 | 70.8 | 99,616,594 | 79.0 | 92,971,989 | 71.5 | 102,253,100 | 75.2 |
| County and Local | 19,490,361 | 15.0 | 18,470,277 | 14.7 | 24,111,619 | 18.6 | 22,621,439 | 16.6 |
| Other Financing Sources | 2,341,332 | 1.8 | 2,571,392 | 2.0 | 2,663,185 | 2.0 | 3,309,141 | 2.4 |
| Total Revenue | 122,045,732 | 93.7 | 130,356,867 | 103.4 | 128,784,159 | 99.1 | 136,123,478 | 100.0 |
| <u>Expenditures</u> | | | | | | | | |
| Academic Salaries | 47,367,053 | 36.4 | 46,355,002 | 36.7 | 48,671,110 | 37.5 | 52,657,102 | 38.7 |
| Classified Salaries | 31,717,578 | 24.3 | 30,821,437 | 24.5 | 33,132,046 | 25.5 | 33,413,549 | 24.6 |
| Employee Benefits | 28,317,143 | 21.7 | 27,639,367 | 21.9 | 27,500,874 | 21.2 | 26,653,730 | 19.6 |
| Supplies and Materials | 1,880,624 | 1.4 | 1,601,647 | 1.3 | 2,057,120 | 1.6 | 2,422,609 | 1.8 |
| Other Operating Expenses and Services | 16,191,345 | 12.4 | 14,085,391 | 11.2 | 12,193,956 | 9.4 | 13,575,969 | 10.0 |
| Capital Outlay | 1,163,754 | 0.9 | 1,244,647 | 1.0 | 2,026,796 | 1.6 | 3,012,878 | 2.2 |
| Other Uses | 3,625,783 | 2.8 | 4,273,401 | 3.4 | 4,369,256 | 3.4 | 4,284,871 | 3.1 |
| Total Expenditures | 130,263,280 | 100.0 | 126,020,892 | 100.0 | 129,951,158 | 100.0 | 136,020,708 | 100.0 |
| Change in Fund Balance | \$ (8,217,548) | (6.3) | \$ 4,335,975 | 3.4 | \$ (1,166,999) | (0.9) | \$ 102,770 | 0.1 |
| Ending Fund Balance | \$ 12,954,297 | 9.9 | \$ 21,171,845 | 16.8 | \$ 16,835,870 | 13.0 | \$ 18,002,869 | 13.2 |
| Available Reserve Balance (1) | \$ 7,184,162 | 5.5 | \$ 15,317,917 | 12.2 | \$ 10,356,204 | 8.0 | \$ 13,446,897 | 9.9 |
| Full-time Equivalent Students (2) | 19,618 | | 21,036 | | 21,162 | | 21,499 | |
| Total Long-Term Debt | \$ 384,028,603 | | \$ 394,162,055 | | \$ 406,781,012 | | \$ 232,422,011 | |

IMPORTANT NOTES:

(1) The California Community College Chancellor's Office has provided guidelines that recommend a minimum prudent ending fund balance reserve of 5% of unrestricted expenditures. In addition, the District's Board policy requires a 5.5% unrestricted ending fund balance. As such, the reserve balance is the 5.5% Board Policy reserve and any other remaining unassigned amounts in the General Fund.

The Available Reserve Balance for 2011 includes the Board Mandated Reserve Balance of \$5,225,080 which represents 5% of the Unrestricted General Fund expenditures of \$104,501,589 as per the Board adopted temporary suspension of the policy reserve.

(2) Full-time equivalent students (FTES) represent credit and non-credit factored FTES and excludes FTES generated by non-residents.

(3) The 2012 budget is the original budget adopted by the Board of Trustees on September 13, 2011.

All percentages are of total expenditures.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND

For the Fiscal Year Ended June 30, 2011

| | General Fund (Combined) | | |
|--|-------------------------|----------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Revenue from Federal Sources | | | |
| Higher Education Act | \$ 927,792 | \$ 641,297 | \$ (286,495) |
| Temporary Assistance for Needy Families (TANF) | 446,314 | 220,941 | (225,373) |
| Veterans Education | 193,000 | 344,968 | 151,968 |
| Vocational and Technical Education Act | 1,913,932 | 1,156,719 | (757,213) |
| American Recovery and Reinvestment Act: State Fiscal Stabilization Fund | 405,230 | 58,787 | (346,443) |
| Other Federal Revenue | 10,373,715 | 7,275,892 | (3,097,823) |
| Revenue from State Sources | | | |
| General Apportionments | 80,509,413 | 88,041,552 | 7,532,139 |
| Categorical Apportionments | 8,432,281 | 7,768,325 | (663,956) |
| Other State Revenues | 3,467,435 | 3,806,717 | 339,282 |
| Revenue from Local Sources | | | |
| Property Taxes | 11,713,364 | 11,897,201 | 183,837 |
| Interest and Investment Income | 200,000 | 315,074 | 115,074 |
| Student Fees and Charges | 6,668,304 | 3,505,704 | (3,162,600) |
| Other Local Revenue | 4,797,645 | 2,752,298 | (2,045,347) |
| TOTAL REVENUES | <u>130,048,425</u> | <u>127,785,475</u> | <u>(2,262,950)</u> |
| EXPENDITURES | | | |
| Academic Salaries | 47,925,652 | 46,355,002 | 1,570,650 |
| Classified Salaries | 32,981,723 | 30,821,437 | 2,160,286 |
| Employee Benefits | 28,593,816 | 27,639,367 | 954,449 |
| Supplies and Materials | 2,371,682 | 1,601,647 | 770,035 |
| Other Operating Expenses & Services | 19,728,606 | 14,085,391 | 5,643,215 |
| Capital Outlay | 1,720,379 | 1,244,647 | 475,732 |
| TOTAL EXPENDITURES | <u>133,321,858</u> | <u>121,747,491</u> | <u>11,574,367</u> |
| Excess (deficiencies) of revenues over expenditures | <u>(3,273,433)</u> | <u>6,037,984</u> | <u>9,311,417</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Interfund Transfers In | 2,593,749 | 2,571,392 | (22,357) |
| Interfund Transfers Out | (3,318,603) | (3,378,486) | (59,883) |
| Student Financial Aid | <u>(769,755)</u> | <u>(894,915)</u> | <u>(125,160)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,494,609)</u> | <u>(1,702,009)</u> | <u>(207,400)</u> |
| Excess (deficiencies) of revenues over expenditures and other sources (uses) | <u>\$ (4,768,042)</u> | <u>4,335,975</u> | <u>\$ 9,104,017</u> |
| Fund Balances, beginning of year | | <u>16,835,870</u> | |
| Fund Balance, end of year | | <u>\$ 21,171,845</u> | |

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Long Beach Community College District for the year ended June 30, 2011 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. This schedule is presented on the modified accrual basis of accounting.

Subrecipients

The District provided Federal awards to subrecipients as follows:

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Amount Provided to Subrecipients |
|--|----------------|-------------------------------------|
| Small Business Development Center | | |
| Small Business Development Center (SBDC) | 59.037 | |
| - Economic Development Collaboration - Ventura | | \$ 129,294 |
| - El Camino Community College District | | 350,000 |
| - Pacific Coast Regional Small Business Development Corp. | | 225,000 |
| - City of Los Angeles, Harbor Department (Port Tech of Los Angeles) | | 143,819 |
| - Santa Clarita Community College District | | 345,000 |
| - Santa Monica Community College District | | 300,000 |
| | | <u>\$ 1,493,113</u> |

B. Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the Long Beach Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of applicable funds as reported on the Form CCFS-311.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

D. Schedule of Financial Trends and Analysis

The report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

E. Schedule of Budgetary Comparison for the General Fund

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund. This schedule presents the adopted General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the adopted budget and actual amounts.

Expenditures in excess of budget, by major object, of \$185,043 occurred in object 7000 – Other Outgo.

OTHER INDEPENDENT AUDITOR'S REPORTS



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

The Board of Trustees
Long Beach Community College District
4901 E. Carson Street
Long Beach, CA 90808

We have audited the basic financial statements of Long Beach Community College District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-01.

Long Beach Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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


VICENTI, LLOYD & STUTZMAN LLP

December 1, 2011



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

The Board of Trustees
Long Beach Community College District
4901 E. Carson Street
Long Beach, CA 90808

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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

Internal Control Over Compliance

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

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

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

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


VICENTI, LLOYD & STUTZMAN LLP

December 1, 2011



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Long Beach Community College District
4901 E. Carson Street
Long Beach, CA 90808

We have audited the compliance of the Long Beach Community College District (the District) with the types of compliance requirements described in the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2011. The District's State compliance requirements are identified below. Compliance with the State laws and regulations as identified below is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Education Code Section 84362.
- Whether the District complied with all requirements necessary to claim FTES for instruction under instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District acted to ensure that the residency of each student is properly classified and that only the attendance of California residents, specifically student-athletes, is claimed for apportionment purposes.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether the District complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District reported the full amount of fees charged, regardless of whether the fees are collected, for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.
- Whether the District expended Economic and Workforce Development (EWD) funds to develop and deliver services to meet the needs identified in regional economic development plans and that state laws and regulations regarding subcontracts or grant amendments and operation of an EWD program center or an industry driven regional collaborative were complied with.
- Whether the District expended Extended Opportunity Programs and Services (EOPS) funds to provide services specifically designed to supplement existing support programs and to help EOPS eligible students complete their educational goal.
- Whether the District expended Disabled Student Programs and Services (DSPS) funds on students with exceptional needs because of a verified disability to facilitate measureable progress towards their educational goals.
- Whether the District expended Cooperative Agencies Resources for Education (CARE) funds to provide educational support services and activities for the academically under-prepared, welfare-dependent, single head-of-household student population.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District provided eligible persons under the federal Jobs for Veterans Act preference (priority of service) and information regarding benefits and services obtainable through entities and service providers and to ensure eligible persons are informed of their employment-related rights and benefits.
- Whether the District lists To Be Arranged Hours (TBA) in the schedule of classes and describes them in the course outline and that student participation is carefully tracked to ensure apportionment is not claimed for TBA hours for students with documented zero hours as of the census point for a particular course.

In our opinion, we found that, for the items tested, the Long Beach Community College District complied with the laws and regulations of the state programs referred to above, except as described in the Schedule of Findings and Questioned Costs Related to the Financial Statements section of this report as finding 11-01. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Long Beach Community College District had not complied with the laws and regulations of state programs and requirements.

The Long Beach Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs Related to the Financial Statements. We did not audit the District's response and, accordingly, we express no opinion on it.

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


VICENTI, LLOYD & STUTZMAN LLP

December 1, 2011

FINDINGS AND QUESTIONED COSTS

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2011

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs tested:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---|--|
| 84.000, 84.007, 84.033, 84.375 84.063, 84.268, 84.375 and 93.925 | Student Financial Aid Cluster |
| 17.275 | American Recovery and Reinvestment Act: Radio Frequency Identification (RFID) |
| 17.258 and 81.041 | American Recovery and Reinvestment Act: Green Building and Clean Energy |
| 84.048 | Career Technical Education: Perkins Title I-C |

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2011

FINDING 11-01 – STATE COMPLIANCE:
TO BE ARRANGED (TBA) HOURS

Finding: For Daily Census procedure courses, TBA hours must be scheduled for the same number of hours on each scheduled day of the course or as a portion of the hours the course is regularly scheduled for each day it meets. Daily Census courses are those courses that are not coterminous with a primary term, but are scheduled regularly for at least 5 meetings (California Code of Regulations (CCR), Title V, §58003.1(c)). If TBA hours are not scheduled as indicated above, the attendance for the entire course must be on the positive attendance basis (CCR, Title V, §58003.1(d) and 58006). The testing of TBA courses identified 2 daily census procedure courses out of a sample of 10 weekly or daily census procedure courses where the TBA portion of the course started after the census date. Although attendance records were provided and the students were properly served for those hours, apportionment was claimed as daily census procedure courses for the entire duration of the course instead of on the positive attendance basis.

Recommendation: Review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedures courses. These courses should be classified on a positive attendance basis.

District Response – As it has been determined that the District has some Daily Census procedure courses whose TBA hours are not scheduled for the same number of hours on each scheduled day of the course. As indicated in the To Be Arranged (TBA) Hours Compliance Advice Legal Advisory 08-02, the District will review all TBA courses offered using the Daily Census procedure and will claim apportionment using the positive attendance methodology going forward.

For the two courses identified by the auditors, the differences between FTES claimed using the Daily Census procedure and the positive attendance methodology is as follows:

- CDECE 66, Section 73687:
 - Daily Attendance – 2.13 FTES
 - Positive Attendance – 1.94 FTES
 - Difference of 0.19 FTES
- ADN 11BL, Section 70274:
 - Daily Attendance – 1.20 FTES
 - Positive Attendance – 1.20 FTES
 - Difference of 0.00 FTES

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2011

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2011

There were no prior year findings and questioned costs related to financial statements for the fiscal year ended June 30, 2010.

CONTINUING DISCLOSURE INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2011

| | | |
|---|------------------|-----|
| Assessed valuation for fiscal year 2010-11 | \$46,188,980,545 | (2) |
| Secured tax levies for fiscal year 2010-11 | \$ 11,705,758 | (1) |
| Secured tax delinquencies for fiscal year 2010-11 | \$ 755,329 | (1) |
| Secured tax collections for fiscal year 2010-11 | \$ 10,950,429 | (1) |

2010-11 Largest Local Secured Taxpayers (2)

| | <u>Property Owner</u> | <u>Primary Land Use</u> | 2010-11 <u>Assessed Valuation</u> | % of <u>Total</u> |
|-----|---------------------------------------|-------------------------|--------------------------------------|----------------------|
| 1. | The Boeing Company | Industrial | \$ 415,898,147 | 0.90% |
| 2. | Macerich Lakewood LLC | Shopping Center | 286,656,005 | 0.62 |
| 3. | AES Alamitos LLC | Power Plant | 229,400,000 | 0.50 |
| 4. | Legacy Partners II LB World Trade LLC | Office Building | 153,840,000 | 0.33 |
| 5. | 2009 CUSA Community Owner LLC | Apartments | 136,696,653 | 0.30 |
| 6. | Trizechahn Colony Square GP LLC | Office Building | 114,068,973 | 0.25 |
| 7. | GRE Shoreline Square LP | Office Building | 94,380,355 | 0.20 |
| 8. | Noble Utah Long Beach LLC | Hotel | 90,933,201 | 0.20 |
| 9. | Arco Terminal Services Corp. | Industrial | 84,573,231 | 0.18 |
| 10. | 200 Oceangate LLC | Office Building | 83,050,000 | 0.18 |
| 11. | Advanced Group 05-86 | Apartments | 81,615,903 | 0.18 |
| 12. | HEI Long Beach LLC | Hotel | 62,987,896 | 0.14 |
| 13. | City Place Long Beach LLC | Shopping Center | 60,870,000 | 0.13 |
| 14. | Alamitos Bay Partnership | Shopping Center | 60,734,430 | 0.13 |
| 15. | Sunstone Ocean LLC | Hotel | 54,395,640 | 0.12 |
| 16. | Pacific Pipeline System LLC | Office Building | 52,138,389 | 0.11 |
| 17. | Lyon West Gateway LLC | Commercial | 50,804,291 | 0.11 |
| 18. | EQR Fresca 2009 LP | Apartments | 50,075,495 | 0.11 |
| 19. | Los Altos Gateway LLC | Commercial | 47,900,753 | 0.10 |
| 20. | Pacific Castle | Shopping Center | <u>46,812,219</u> | 0.10 |
| | | | \$2,257,831,581 | 4.89% |

2010-11 Local Secured Assessed Valuation: \$46,188,980,545

(1)Information obtained from the Los Angeles County Auditor-Controller's Office

(2)Information obtained from California Municipal Statistics, Inc.