

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**LOS ANGELES COUNTY**

**REPORT ON  
AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2008**



**LONG BEACH  
CITY COLLEGE**

LONG BEACH COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2008

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**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**June 30, 2008**

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## INDEPENDENT AUDITORS' 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, 2008 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, 2008, 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.

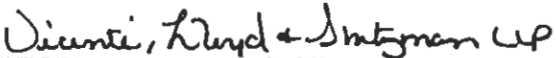
As described in Note 14 to the financial statements, the Long Beach Community College District adopted the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the year ended June 30, 2008.

The Board of Trustees  
Long Beach Community College District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008 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 required supplementary information, such as the management's discussion and analysis and the schedules of funding progress and employer contributions, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Long Beach Community College District's basic financial statements. The supplementary section and 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. The supplementary information, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

  
VICENTI, LLOYD & STUTZMAN LLP

November 11, 2008

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**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, 2008. 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, English as a Second Language instruction, 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 invest income are classified as non-operating revenues.

# LONG BEACH COMMUNITY COLLEGE DISTRICT

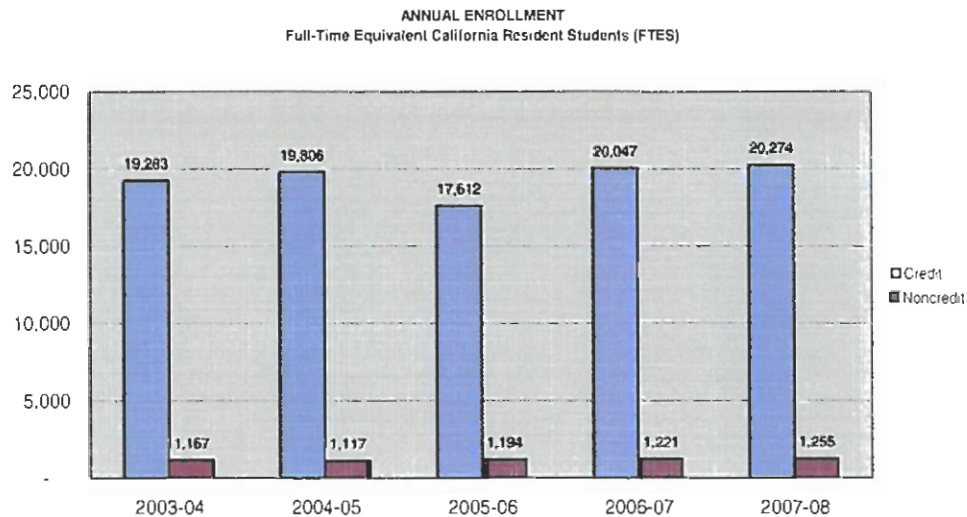
## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

### 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.

- Net assets for governmental activities increased \$13,921,334 (22.8%) from \$61,032,597 to \$74,953,931.
- Total operating and non-operating revenues increased \$14,606,505 (7.8%) from \$186,066,299 to \$200,672,804.
- Cash balance (cash and cash equivalents) current and restricted increased \$32,325,268 (36.2%) from \$89,184,070 to \$121,509,338.
- Total ending fund balances increased \$29,631,074 (29.9%) from \$98,842,807 to \$128,473,881.
- In 2007-08 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 \$20 per unit in the year ending June 30, 2008. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total apportionment eligible FTES were 21,529.23 for the 2007-08 fiscal year.



# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- The primary expenditure of the District is for the salaries and benefits for academic, classified, and administrative personnel. These costs increased from the previous fiscal year by \$3,860,932 to \$112,184,658. This 3.5% increase is due to higher salary and benefit costs and a slightly larger workforce.
- The District has made significant progress with the construction of new facilities including:

Location	% Complete
<u>Liberal Arts Campus</u>	
South Quad Complex	87%
Learning Resources Center	96%
Central Plant	99%
<u>Pacific Coast Campus</u>	
Learning Resources Center	100%
Technology I Building	48%
Central Plant	99%

Projects in the planning and design stages are:

- Parking Structure – Liberal Arts Campus
- Building A Renovation – Liberal Arts Campus
- Multi-Disciplinary Academic Building – Pacific Coast Campus
- Building CC Renovation – Pacific Coast Campus
- Infrastructure projects
- Landscape and signage upgrades

These projects were funded through the District's \$621 million General Obligation Bond program and/or State construction program funding.

- The District provided student financial aid to qualifying students of the District in the amount of \$28,249,893. This represents a \$3,372,994 increase from the 2006-07 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 \$3,938 per student to \$4,310 per student. This is a 9.4% increase in financial support to students who received Pell grants.



LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

**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 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 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, 2008 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	\$ 14,882,492
Restricted Fund Balance	3,017,607
Bond Interest and Redemption Fund Balance	3,574,348
Revenue Bond Construction Fund Balance	77,557,928
Capital Outlay Projects Fund Balance	7,778,995
Other Debt Service Fund Balance (COPS Debt Service)	10,161,963
Child Development Fund Balance	38,145
Other Special Revenue Funds Balance (Veteran's Stadium Operation and Contract/Community Education)	1,194,724
Other Trust Fund Balance (Retiree Benefits)	8,279,174
Student Financial Aid and Trust Fund Balance	121,523
Self Insurance Fund Balance	<u>1,609</u>
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	126,608,508
Auxiliary (not reported on CCFS-311)	<u>1,865,373</u>
Total Ending Fund balances	<u>\$ 128,473,881</u>

# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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

Total Ending Fund balances \$ 128,473,881

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

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 \$418,766, are already reported in the Auxiliary Fund. 182,284,290

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 \$77,667 are already reported in the Unrestricted General Fund and the Auxiliary, respectively. (4,484,457)

Short-term and long-term liabilities, including bonds, certificates of participation, financing agreement and capital leases 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. (227,799,628)

Issuance costs related to bonds incurred through June 30, 2008 are capitalized and added to total net assets. 1,877,189

Interest expense related to bonds incurred through June 30, 2008 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. (1,004,233)

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. (2,809,340)

Estimated claims liability for self-insured risk of loss is not accrued in governmental funds. (1,431,672)

Amounts for 2007-08 property taxes levied for debt service not received as of June 30, 2008. 884,028

Reduction for Post Retirement Employee Benefits (OPEB) for amounts held in irrevocable trust and reported as fiduciary activity. (1,036,127)

Total Net Assets \$ 74,953,931

# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

### 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, 2008. 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.

Total net assets increased 22.8% from \$61,032,597 to \$74,953,931. Major components comprising this increase are capital assets (net of accumulated depreciation) cash and cash equivalents, and net accounts receivables.

Capital assets increased 41.5% from \$129,108,291 to \$182,703,056. This is the result of the district's substantial investment in constructing and renovating buildings at each of the district's two campuses.

Cash and cash equivalents increased \$32,386,552 due to selling \$71 million of general obligations bonds (Series D) and the spending on construction projects.

Accounts receivable increased by \$4,623,035 or 29.3%. This is caused by delays in the Federal and State reimbursement process for various grants and categorical programs for \$.08 million, as well as an increase in the apportionment accrual of \$3.1 million.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

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

	(in thousands) <u>2008</u>	(in thousands) <u>2007*</u>	<u>Change</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 106,204	\$ 63,818	66%
Receivables	20,408	15,785	29%
Due from fiduciary fund and Foundation		25	-100%
Inventories	1,046	1,094	-4%
Prepaid expenses	<u>1,157</u>	<u>2,022</u>	-43%
Total current assets	<u>128,815</u>	<u>82,744</u>	56%
Non-current assets			
Restricted cash and cash equivalents	15,305	25,367	-40%
Investments	6,663	8,365	-20%
Capitalized fees	1,877	1,207	56%
Capital assets, net of depreciation	<u>182,703</u>	<u>129,108</u>	42%
Total non-current assets	<u>206,548</u>	<u>164,047</u>	26%
<b>TOTAL ASSETS</b>	<u>335,363</u>	<u>246,791</u>	36%
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	18,309	13,685	34%
Due to fiduciary funds		141	-100%
Deferred revenue	5,288	5,130	3%
Amounts held in trust for others	27	19	42%
Estimated claims liability	1,432	1,432	0%
Long-term liabilities - current portion	<u>9,396</u>	<u>8,895</u>	6%
Total current liabilities	<u>34,452</u>	<u>29,302</u>	18%
Non-current liabilities			
Long-term liabilities less current portion	<u>225,957</u>	<u>156,456</u>	44%
Total non-current liabilities	<u>225,957</u>	<u>156,456</u>	44%
<b>TOTAL LIABILITIES</b>	<u>260,409</u>	<u>185,758</u>	40%
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	37,117	25,555	45%
Restricted	19,755	20,671	-4%
Unrestricted	<u>18,082</u>	<u>14,807</u>	22%
<b>TOTAL NET ASSETS</b>	<u>\$ 74,954</u>	<u>\$ 61,033</u>	23%

\*Certain reclassifications have been made to the summarized financial statements for the year 2006-07 to conform to the 2007-08 summarized financial statement presentation.

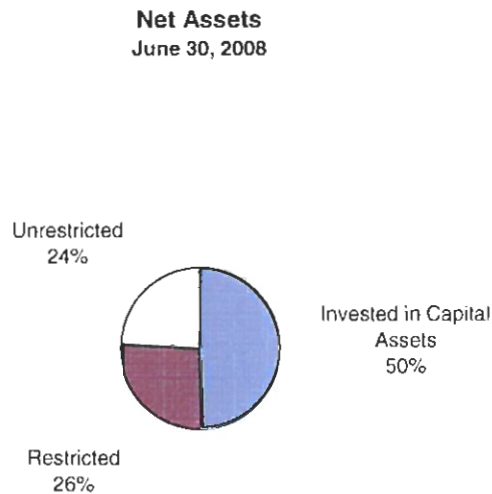
This schedule has been prepared from the Statement of Net Assets presented on page 1.

# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The components of net assets are investment in capital assets, restricted assets and unrestricted assets. The following chart shows the percentage for each of those components. The \$37,117,443 investment in capital assets is for construction of new facilities, major facilities improvements and equipment valued at \$5,000 or more.



\$19,754,334 of restricted assets are assets that must be used to meet the goals and purposes of the Federal, State, local, or private agencies providing the assets.

The value of unrestricted assets was \$18,082,164. 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.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

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.

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

	(in thousands) <u>2008</u>	(in thousands) <u>2007</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 6,598	\$ 8,188	-19%
Grants and contracts, non-capital	52,791	53,704	-2%
Auxiliary sales and charges	<u>7,387</u>	<u>7,040</u>	5%
Total operating revenues	<u>66,776</u>	<u>68,932</u>	-3%
Operating Expenses			
Salaries and benefits	112,184	108,323	4%
Supplies, materials and other operating expenses and services	34,599	31,222	11%
Financial aid	28,250	24,877	14%
Depreciation	<u>3,386</u>	<u>3,199</u>	6%
Total operating expenses	<u>178,419</u>	<u>167,621</u>	6%
Operating loss	<u>(111,643)</u>	<u>(98,689)</u>	13%
Non-operating revenues			
State apportionments, non-capital	88,668	84,120	5%
Local property taxes	9,947	11,859	-16%
State taxes and other revenues	3,808	3,016	26%
Investment income, net	1,198	1,018	18%
Transfer from fiduciary	<u>-</u>	<u>199</u>	-100%
Total non-operating revenues	<u>103,621</u>	<u>100,212</u>	3%
Other revenues, (expenses), gains or (losses)			
State apportionments, capital	16,596	6,471	156%
Local property taxes and other revenues, capital	8,937	5,780	55%
Investment income, capital	4,742	4,671	2%
Interest expense	<u>(8,332)</u>	<u>(5,886)</u>	42%
Total other revenues, (expenses), gains or (losses)	<u>21,943</u>	<u>11,036</u>	99%
Change in net assets	<u>13,921</u>	<u>12,559</u>	11%
Net assets, beginning of year as previously reported	61,033	49,115	24%
Adjustment for restatement	<u>-</u>	<u>(641)</u>	-100%
Net assets, beginning of year as restated	<u>61,033</u>	<u>48,474</u>	26%
Net assets, end of year	<u>\$ 74,954</u>	<u>\$ 61,033</u>	23%

# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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:

	2008 <u>(in thousands)</u>	2007 <u>(in thousands)</u>	<u>Change</u>
Revenues			
Operating Revenues	66,776	68,932	-3%
Non Operating Revenues	103,621	100,212	3%
Other Revenues	<u>30,275</u>	<u>16,922</u>	79%
	200,672	186,066	8%
Expense			
Operating Expenses	(178,419)	(168,523)	6%
Other Expenses	<u>(8,332)</u>	<u>(4,984)</u>	67%
Total Expenses	(186,751)	(173,507)	8%
Change in Net Assets	<u>13,921</u>	<u>12,559</u>	11%
Net Assets at beginning of year	61,033	49,115	24%
Adjustments for restatement	<u>-</u>	<u>(641)</u>	-100%
Net Assets at beginning of year, restated	<u>61,033</u>	<u>48,474</u>	26%
Net Assets End of Year	<u>\$ 74,954</u>	<u>\$ 61,033</u>	23%

The 79% increase in other revenues is from State and local sources for the District's facilities construction program.

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

Net tuition and fees declined 19% because student enrollment fees were \$26 per unit for the first half (Fall 2006) of 2006-07 and then were reduced 23% to \$20 per unit for the second half of 2006-07 and all of 2007-08. Additionally, scholarships discounts and allowances decreased \$6.5 million to \$5.2 million.

Local property taxes decreased 16% because of the "triple flip" effect. Sales tax revenues previously allocated to local governments, went to the State. The State then in turn replaced lost local government sales tax revenue with property tax revenue in the form of Education on Revenue Augmentation Funds (ERAF), which previously belonged to Community Colleges.

State apportionments, capital increased from \$6.5 million to \$16.6 million because the District participated in the State Construction Building Program which qualified the District for \$10.1 million in additional funds of State apportionment revenues for qualified construction progress projects.

# LONG BEACH COMMUNITY COLLEGE DISTRICT

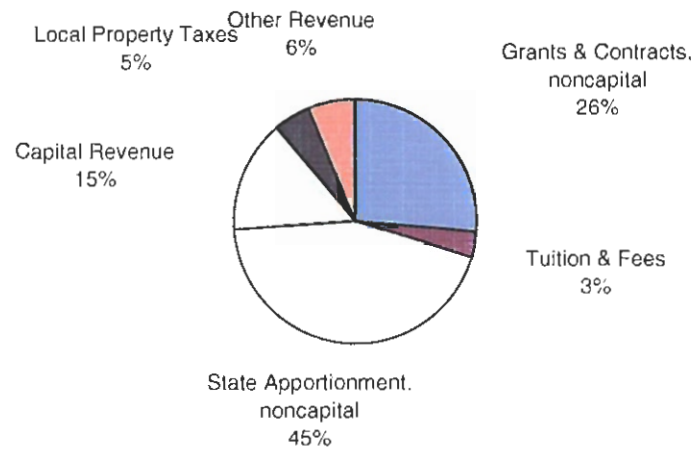
## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Total revenues were \$200,672,804 while total expenditures were \$186,751,470. This yields a 2007-2008 increase in net assets of \$13,921,334. The bottom line net assets increase is 22.8% from \$61,032,597 to \$74,953,931.

The following charts show the sources of revenue to the district. The largest source (45%) is State apportionment, which is derived from the State's funding formula for Community Colleges.

Revenue 2007-08





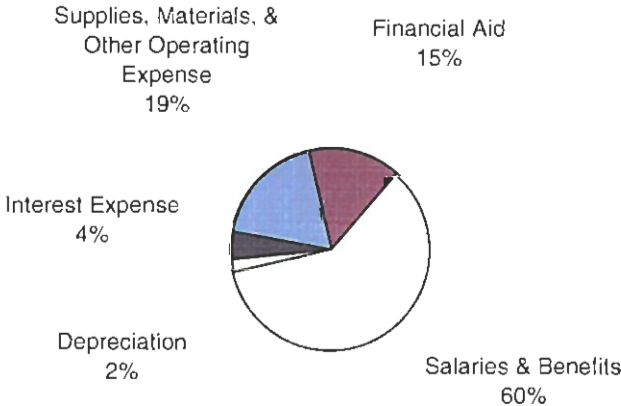
**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2008**

The following chart shows where the District's money is spent. The largest category of expenses (60%) is for salaries and benefits. This reflects the college's reliance on faculty members and support staff to perform its educational mission.

**Expenses 2007-08**



**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**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 provided by 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 cash flows from 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 use is attributed to increases in capital assets as described in the following section entitled "Capital Assets and Debt Administration".

Investing activities – The District invests debt service reserves related to its Certificates of Participation in Guaranteed Investment Contracts. Additional information on the District's investments can be found in the notes to the financial statements. See Note 2.B on page 22.

The net change in cash, considering all sources and uses was \$32,325,268. This results in an end of year cash balance of \$121,509,338. 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, 2008**

A summarized comparison of the Statement of Cash Flows for 2006-07 and 2007-08 is presented below:

	(in thousands) <u>2008</u>	(in thousands) <u>2007*</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (102,645)	\$ (92,295)	11%
Non-capital financing activities	98,025	106,160	-8%
Capital and related financing activities	33,908	(14,915)	-327%
Investing activities	<u>3,037</u>	<u>1,933</u>	57%
Net increase in cash and cash equivalents	32,325	883	3561%
Cash balance, beginning of year	89,184	87,876	1%
Restatement to cash balance	<u>-</u>	<u>425</u>	-100%
Cash balance, end of year	<u>\$ 121,509</u>	<u>\$ 89,184</u>	36%

\*Certain reclassifications have been made to the summarized financial statements for the year 2006-07 to conform to the 2007-08 summarized financial statement presentation.

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

Cash used in operating activities increased to pay for higher salaries and benefit costs (\$1.3 million); payments increasing to suppliers (\$3.1 million) for spending related to increased awards for grants and contracts where the money has been spent but not reimbursed; and payments increased to students (\$2.5 million) primarily due to the increase in Pell allowances. Additionally, there was a \$3.2 million decline in cash from grants and contracts due to the timing of when money is received.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Capital Assets and Debt Administration**

Capital Assets

On June 30, 2007, the District had \$129,108,291, net of depreciation, in a broad range of capital assets including land, buildings, equipment and construction in progress. During the 2007-08 fiscal year, the District continued to modernize various facilities throughout the District at a cost of \$56,980,304. At the end of the year capital assets were valued at \$182,703,056 which is a 41.5% increase. 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 seventy-five years ago and land values in Southern California have increased over this time.

Note 5 to the financial statements provide additional information on capital assets, a comparison of capital assets net of depreciation is summarized below:

	(in thousands) Balance <u>June 30, 2008</u>	(in thousands) Balance <u>June 30, 2007</u>	<u>Change</u>
Land	\$ 10,728	\$ 10,728	0%
Site and Site Improvements	105,662	93,561	13%
Equipment	11,781	11,081	6%
Construction in Process	<u>99,578</u>	<u>55,398</u>	80%
Totals at historical cost	<u>227,749</u>	<u>170,768</u>	33%
Less accumulated depreciation for:			
Site and Site Improvements	35,004	32,270	8%
Equipment	<u>10,042</u>	<u>9,390</u>	7%
Total accumulated depreciation	<u>45,046</u>	<u>41,660</u>	8%
Governmental capital assets, net	<u>\$ 182,703</u>	<u>\$ 129,108</u>	42%

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

Long-term Debt

At the end of the year, the District had \$235.3 million in long-term debt. During the 2007-08 fiscal year, long-term debt increased by \$70.0 million. This is from selling general obligation bonds.

Notes 6 through 10 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, 2008</u>	(in thousands) Balance <u>June 30, 2007*</u>	<u>Change</u>
Compensated absences	\$ 4,745	\$ 4,484	6%
Capital leases	893	1,371	-35%
Certificates of participation	33,425	33,875	-1%
Financing agreement	15,541	16,071	-3%
General obligation bonds	177,940	108,265	64%
Supplemental employee retirement plan	<u>2,809</u>	<u>1,285</u>	119%
Total long term debt	235,353	165,351	42%
Total short term portion	<u>(9,396)</u>	<u>(8,895)</u>	6%
Total long term portion	<u>\$ 225,957</u>	<u>\$ 156,456</u>	44%

\*Certain reclassifications have been made to the summarized financial statements for the year 2006-07 to conform to the 2007-08 summarized financial statement presentation.

# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

### **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 appointment and other State revenues, non-capital, of \$107 million support 62% of total operating expenses, excluding depreciation.

The District has implemented an aggressive enrollment management plan, which is expected to increase student enrollment by 1% to 2% each year. The Enrollment Management Plan is based on the following strategic initiative:

1. Improved information systems
2. Revitalized curriculum and education programs
3. More efficient course scheduling
4. More supportive student services
5. Expanded student recruitment efforts with local high schools
6. Focused student retention and intervention
7. Targeted community marketing

Future State funding for the District is characterized by volatility inherent in the State's economy. For fiscal year 2008-09 the State budget deficit is estimated to exceed \$11.2 billion. For 2008-09 the State was 85 days late with adopting a state budget. As a result, \$29.6 million that the college should have received during the first quarter of 2008-09 was not received until October 6, 2008. Despite this State economic problem, the District remains cautiously optimistic that it can make the needed budget cuts and still meet its educational mission and commitment to students.

In November the Governor called special session of the Legislature to deal with the problem. On November 6, 2008, the Governor released his proposal for mitigating the budget problem. Included in his proposal are the following cuts to the entire California Community College's System-Wide Budget:

- Elimination of the 0.68% COLA (\$39.8 million)
- A 5% budget cut to the current year general apportionment (\$292.4 million)

If the Governor's proposal is approved by the legislature, these funding reductions pose a daunting challenge to the District, and difficult resource allocation decisions will have to be made. The District's governing board, administration and faculty are fully prepared to meet this challenge and make the difficult resource allocation decisions. The planning, leadership and governance process at Long Beach Community College District are strong, so the District's governing board, administration and faculty are fully prepared to meet this challenge and make the difficult resource allocation decisions

# LONG BEACH COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

On a positive note, the District continues to reduce the unfunded liability for Other Post-Employment Benefits (OPEB). The Retiree Health Benefit Fund balance increased from \$6.6 million to \$8.3 million, of this balance, \$1 million represents the ending fund balance of the irrevocable trust reported in a separate statement of net assets and statement of changes in net as Other Postemployment Benefit Plans in accordance with GASB 43.

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 net assets will increase. There will be some additional costs for the operation and maintenance of those new facilities.

In February 2008, the District successfully asked voters to approve a \$440 million bond issue. 73.22% of the voters supported the bond measure.

To meet the physical expansion need of the District, efforts are currently underway to purchase real property adjacent to the Pacific Coast Campus and two vacant buildings adjacent to the Liberal Arts Campus.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District.

### *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 Dr. Duane Lowe, Director of Finance, at: Long Beach Community College District, 4901 E. Carson Street – Y14, Long Beach, CA 90808, (562) 938-4102, or via email at [dlowe@lbcc.edu](mailto:dlowe@lbcc.edu).

## **BASIC FINANCIAL STATEMENTS**



LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 106,204,060
Accounts receivable, net	20,407,604
Stores inventories	1,046,445
Prepaid expenses	1,156,641

Total Current Assets 128,814,750

Non-current Assets:

Restricted cash	15,305,278
Investments	6,663,038
Capitalized fees	1,877,189
Capital assets, net of accumulated depreciation	182,703,056

Total Non-current Assets 206,548,561

**TOTAL ASSETS** \$ 335,363,311

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 15,257,855
Accrued liabilities	2,046,757
Accrued interest payable	1,004,233
Deferred revenue	5,287,517
Amounts held in trust for others	27,332
Estimated claims liability	1,431,672
Compensated absences - current portion	2,686,689
Capital leases - current portion	501,623
Certificates of participation - current portion	500,000
Financing agreement - current portion	542,167
General obligation bonds payable - current portion	4,420,000
Supplemental employee retirement plan - current portion	745,984

Total Current Liabilities 34,451,829

Non-current Liabilities:

Compensated absences	2,058,357
Capital leases	391,479
Certificates of participation	32,925,000
Financing Agreement	14,999,583
General obligation bonds payable	173,519,776
Supplemental employee retirement plan	2,063,356

Total Non-current Liabilities 225,957,551

**TOTAL LIABILITIES** 260,409,380

**NET ASSETS**

Invested in capital assets, net of related debt	37,117,433
Restricted for:	
Capital projects	3,122,917
Debt service	13,616,106
Scholarships & loans	121,523
Other special services	2,893,788
Unrestricted	18,082,164

**TOTAL NET ASSETS** 74,953,931

**TOTAL LIABILITIES AND NET ASSETS** \$ 335,363,311

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, 2008**

<b>OPERATING REVENUES</b>	
Tuition and fees (gross)	\$ 11,825,350
Less: Scholarship discounts and allowances	<u>(5,227,456)</u>
Net tuition and fees	6,597,894
Grants and contracts, non-capital:	
Federal	32,067,539
State	15,203,297
Local	5,520,194
Auxiliary enterprise sales and charges	<u>7,386,618</u>
<b>TOTAL OPERATING REVENUES</b>	<u>66,775,542</u>
<b>OPERATING EXPENSES</b>	
Salaries	85,369,627
Employee benefits	26,815,031
Supplies, materials, and other operating expenses and services	31,909,789
Financial aid	28,249,893
Utilities	2,689,606
Depreciation	<u>3,385,539</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>178,419,485</u>
Operating loss	<u>(111,643,943)</u>
<b>NON-OPERATING REVENUES</b>	
State apportionments, non-capital	88,668,108
Local property taxes	9,946,930
State taxes and other revenues	3,808,212
Investment income - non-capital	<u>1,198,107</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>103,621,357</u>
Loss before other revenues, (expenses), gains or (losses)	<u>(8,022,586)</u>
<b>OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)</b>	
State apportionments, capital	16,596,113
Local property taxes and revenues, capital	8,937,469
Investment income - capital	4,742,323
Interest expense on capital asset-related debt	<u>(8,331,985)</u>
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)</b>	<u>21,943,920</u>
Increase in net assets	13,921,334
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>61,032,597</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 74,953,931</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, 2008**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees (net)	\$ 6,206,757
Federal grants and contracts	31,416,450
State grants and contracts	16,041,031
Local grants and contracts	4,908,365
Enterprise sales and charges	7,535,643
Payments to suppliers	(30,883,335)
Payments to/on behalf of employees	(110,250,293)
Payments to/on behalf of students	(27,627,734)
Amounts received/(paid) in trust	<u>8,209</u>
Net cash used by operating activities	<u>(102,644,907)</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State apportionments and receipts	85,536,179
Property taxes	9,612,075
State tax and other revenues (payments)	<u>2,876,877</u>
Net cash provided by non-capital financing activities	<u>98,025,131</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State apportionments for capital purposes	16,596,267
Local revenue for capital purposes	8,937,469
Interest on capital investments	5,200,956
Net purchases of capital assets	(56,980,304)
Proceeds from capital debt	72,736,602
Principal paid on capital debt	(5,887,484)
Interest paid on capital debt	<u>(6,695,410)</u>
Net cash provided by capital and related financing activities	<u>33,908,096</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	1,334,455
Net sales of investments	<u>1,702,493</u>
Net cash provided by investing activities	<u>3,036,948</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	32,325,268
<b>CASH BALANCE, Beginning of Year</b>	<u>89,184,070</u>
<b>CASH BALANCE, End of Year</b>	<u>\$ 121,509,338</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, 2008

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

Operating loss	\$ (111,643,943)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,385,539
Changes in assets and liabilities:	
Receivables, net	359,134
Due from Foundation	25,469
Inventory	47,268
Prepaid expenses	260,874
Accounts payable and accrued liabilities	3,226,029
Deferred revenue	43,149
Due to fiduciary fund	(141,237)
Compensated absences	260,628
Amounts held in trust for others	8,209
Supplemental employee retirement plan	<u>1,523,974</u>
Net cash used by operating activities:	<u>\$ (102,644,907)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 106,204,060
Restricted cash and cash equivalents	<u>15,305,278</u>
Total	<u>\$ 121,509,338</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Associated Student Body Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,233,634
Accounts Receivable	<u>2,171</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,235,805</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Deferred revenue	\$ 25
Amounts held in trust	<u>338,688</u>
<b>TOTAL LIABILITIES</b>	<u>338,713</u>
<b>NET ASSETS</b>	
Unrestricted	<u>1,897,092</u>
<b>TOTAL NET ASSETS</b>	<u>1,897,092</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,235,805</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, 2008**

	<u>Associated Student Body Fund</u>
<b>ADDITIONS</b>	
Student representation fee	\$ 963,743
Other local sources	87,175
Interest and investment income	<u>52,467</u>
<b>TOTAL ADDITIONS</b>	<u>1,103,385</u>
<b>DEDUCTIONS</b>	
Salaries	203,429
Employee benefits	118,410
Services and other operating expenses	<u>1,066,252</u>
<b>TOTAL DEDUCTIONS</b>	<u>1,388,091</u>
Decrease in Net Assets	(284,706)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,181,798</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,897,092</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET ASSETS

June 30, 2008

	<u>Retiree Benefit Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,021
Investments	<u>1,034,106</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,036,127</u>
<b>TOTAL NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	<u>\$ 1,036,127</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, 2008

	<u>Retiree Benefit Trust</u>
<b>ADDITIONS</b>	
Interest and investment income	\$ 40,076
<b>TOTAL ADDITIONS</b>	<u>40,076</u>
<b>DEDUCTIONS</b>	
Services and other operating expenses	<u>12,648</u>
<b>TOTAL DEDUCTIONS</b>	<u>12,648</u>
Increase in Net Assets	27,428
<b>NET ASSETS HELD IN TRUST FOR OTHER     POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR</b>	<u>1,008,699</u>
<b>NET ASSETS HELD IN TRUST FOR OTHER     POSTEMPLOYMENT BENEFITS, END OF YEAR</b>	<u>\$ 1,036,127</u>

See the accompanying notes to the financial statements.



**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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, 2008

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

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

Based upon the application of the criteria listed above, the following three 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 are 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.

Long Beach City College Associated Student Body (ASB) – The ASB is a separate not-for-profit corporation formed to promote and assist the educational program of the District. The Board of Directors are 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 ASB. The activity of the ASB is shown in the fiduciary financial statements. Individually prepared financial statements are not prepared for the Long Beach City College ASB.

Long Beach Community College Financing Authority Corporation (The Corporation) – The Corporation is a legally separate organization formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Governing Board of the Corporation is the same as the Governing Board of the District. The activity of the Corporation has been blended with the District-wide financial statement. In addition, the certificates of participation (COPS) issued by the Corporation are included as long-term liabilities in the basic financial statements. Individually prepared financial statements are not prepared for the Long Beach Community College Financing Authority Corporation.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

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

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. 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.

**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, with the exception of Student Financial Aid Programs and retiree benefit activity, are excluded from the basic financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

C. BASIS OF ACCOUNTING:

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

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.

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, 2008

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. 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.

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 text books and other items sold in the bookstore.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**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, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Prepaid expenses consist primarily of prepaid insurance premiums and the debt service payment for the financing agreement.

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, certificates of participation and financing agreement.

6. 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.

7. 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

C. BASIS OF ACCOUNTING: (continued)

7. Capital Assets (continued)

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.

8. Accounts Payable

Accounts payable consists of amounts due to vendors.

9. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable.

10. Deferred Revenue

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

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

C. BASIS OF ACCOUNTING: (continued)

11. Compensated Absences (continued)

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.

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 not 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.



LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 2009 will be recorded in the year computed by the State.

The District has recorded accounts receivable of approximately \$5.3 million related to the June deferred apportionment payment, net of property tax and enrollment fee revenue adjustments.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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.

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 \$873,000 for STRS.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

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, 2008

NOTE I - 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. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, outlining new accounting standards for Other Postemployment Benefit (OPEB) trust funds included as an agency fund in the financial statements of a governmental agency. The District has established a trust for investment and disbursement of funds for the payment of its obligations to eligible employees which is included in these financial statements. The statement provides standards for (a) financial reporting of the plan assets, liabilities, net assets, and changes in net assets held in trust for payment of benefits and (b) disclosure of actuarial information about the funded status and funding progress of the plan (the extent to which resources have been accumulated in comparison to actuarially accrued liabilities for benefits) and the contributions made to the plan by participating employers in comparison to annual required contributions of the employer(s) (ARC). A detailed disclosure is provided at Note 14.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS:

A. Deposits

**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, 2008, \$13,451,957 of the District's bank balance of \$14,139,167 was exposed to credit risk as follows:

Uninsured and uncollateralized	\$ 8,795,880
Uninsured and uncollateralized <sup>(1)</sup>	<u>4,656,077</u>
	<u>\$13,451,957</u>

<sup>(1)</sup>Deposits held with fiscal agent in money market funds are rated AAA or better by Standard and Poor's, as required by the Districts investment policy.

**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 cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2008, as provided by the pool sponsor, was \$113,235,418. Interest earned is deposited monthly 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 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 \$662,602 on June 30, 2008, which represents withholdings payable.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 2 – DEPOSITS AND INVESTMENTS:** (continued)

**B. Investments**

California Government Code Sections 16430, 53601, and 53602 allows governmental entities to invest surplus moneys in certain eligible securities. In addition, the District's investment policy limits its investment choices to those allowed by California Government Code Section 53651. The District did not violate any provisions of the California Government Code during the 2007-08 fiscal year.

Investments with fiscal agent at June 30, 2008 held on behalf of the Long Beach Community College Financing Authority Corporation are presented below:

<u>Uncategorized Investments:</u>	<u>Maturities</u>	<u>Fair Value</u>
Guaranteed Investment Contracts (GIC)	10/1/2031	\$6,663,038

**NOTE 3 – ACCOUNTS RECEIVABLE:**

The accounts receivable balance as of June 30, 2008 consists of the following:

Federal and State	\$15,181,173
Miscellaneous	4,038,216
From Students	<u>1,188,215</u>
	<u>\$20,407,604</u>

**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.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 5 - CAPITAL ASSETS:**

The following provides a summary of changes in capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements/ Deletions	Balance June 30, 2008
Land	\$ 10,728,381	\$	\$	\$ 10,728,381
Site and site improvements	93,560,682	12,101,477		105,662,159
Equipment	11,080,845	699,546		11,780,391
Construction in progress	55,398,563	56,222,884	12,043,603	99,577,844
Total cost	<u>170,768,471</u>	<u>69,023,907</u>	<u>12,043,603</u>	<u>227,748,775</u>
Less accumulated depreciation for:				
Site and site improvements	32,270,079	2,733,604		35,003,683
Equipment	9,390,101	651,935		10,042,036
Total accumulated depreciation	<u>41,660,180</u>	<u>3,385,539</u>	<u>-</u>	<u>45,045,719</u>
Governmental capital assets, net	<u>\$ 129,108,291</u>	<u>\$ 65,638,368</u>	<u>\$ 12,043,603</u>	<u>\$ 182,703,056</u>

**NOTE 6 - LEASES:**

**A. Capital Leases**

The District leases equipment valued at approximately \$5,466,500 under agreements which provide for title to pass to the District upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 501,623	\$ 34,692	\$ 536,315
2010	<u>391,479</u>	<u>11,657</u>	<u>403,136</u>
Total	<u>\$ 893,102</u>	<u>\$ 46,349</u>	<u>\$ 939,451</u>

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 6 - LEASES: (continued)**

**B. Operating Leases**

The District has entered into various operating leases for photocopiers and office equipment with lease terms in excess of one year. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Lease Payment</u>
2009	\$ <u>114,022</u>
Total	\$ <u>114,022</u>

Current year expenditures for operating leases is approximately \$127,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 7 - CERTIFICATES OF PARTICIPATION:**

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

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

Lease Payments - Lease payments are required to be made by the District under the lease agreement on each October 1 for use and possession of the equipment for the period commencing October 1, 2001 and terminating October 1, 2031. Lease payments will be funded in part from the proceeds of the Certificates. Interest will be paid at the Dutch Auction Rate not to exceed 12%.



**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments as follows. The interest rate was estimated using a variable rate of approximately 3.7%, which was based on the current Dutch Auction rate.

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 500,000	\$ 1,222,850	\$ 1,722,850
2010	525,000	1,203,656	1,728,656
2011	575,000	1,182,844	1,757,844
2012	625,000	1,160,181	1,785,181
2013	675,000	1,135,669	1,810,669
2014-2018	4,250,000	5,239,662	9,489,662
2019-2023	6,275,000	4,257,544	10,532,544
2024-2028	9,300,000	2,809,225	12,109,225
2029-2032	<u>10,700,000</u>	<u>735,375</u>	<u>11,435,375</u>
Total	<u>\$ 33,425,000</u>	<u>\$ 18,947,006</u>	<u>\$ 52,372,006</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 8 – FINANCING AGREEMENT:**

On January 29, 2007 the District entered into a loan agreement for \$16,071,446 with the SunTrust Leasing Corporation to finance the construction of the Central Plants on the Liberal Arts and the Pacific Coast Campuses. The annual interest rate for the loan is 4.33%.

Annual loan payments outstanding as of June 30, 2008 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 542,167	\$ 667,152	\$ 1,209,319
2010	565,897	643,422	1,209,319
2011	590,666	618,653	1,209,319
2012	616,519	592,800	1,209,319
2013	643,503	565,816	1,209,319
2014-2018	3,665,472	2,381,123	6,046,595
2019-2023	4,540,998	1,505,597	6,046,595
2024-2027	<u>4,376,528</u>	<u>435,155</u>	<u>4,811,683</u>
Total	<u>\$ 15,541,750</u>	<u>\$ 7,409,718</u>	<u>\$ 22,951,468</u>

**NOTE 9 - GENERAL OBLIGATION BONDS:**

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 9 - GENERAL OBLIGATION BONDS: (continued)**

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 5 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, 2008, \$7,718,840 in accreted interest has been accrued and included in long-term debt.

\$5,519,550 in proceeds 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, 2008 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,175,000. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,546,350. 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.

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 5.0 percent depending on maturity date of the bond. These bonds were issued to be used for acquisition, construction, furnishing and equipping of District facilities.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 9 - GENERAL OBLIGATION BONDS: (continued)**

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds issued in November, 2005 and August, 2007 included a premium of \$8,227,031 and \$2,506,185, respectively. The net amount of \$9,643,153 is amortized using the straight-line method. Amortization of \$645,274 was recognized during the 2007-08 year.

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 2007-08 year.

The following summarizes the outstanding bonded debt of the District at June 30, 2008.

Date of Issuance	Interest Rate %	Original Maturity Dates (1)	Amount of Original Issue	Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2008
04/30/03 A	2.5-5.0%	5/1/2004 to 8/1/2027	\$ 40,000,000	\$ 6,705,000	\$	\$ 1,010,000	\$ 5,695,000
11/29/05 B	3.75-5.0%	5/1/2006 to 5/1/2030	65,000,000	61,085,000		670,000	60,415,000
11/29/05 C	3.75-5.0%	5/1/2006 to 5/1/2017	28,224,898	27,774,898		2,750,000	25,024,898
10/24/07 D	3.63-5.0%	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>\$ 95,564,898</u>	<u>\$ 70,999,987</u>	<u>\$ 4,430,000</u>	<u>\$ 162,134,885</u>

<sup>(1)</sup> Final maturity date on refunded portion.  
Series A 5/1/2013

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 9 - GENERAL OBLIGATION BONDS: (continued)**

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2009	\$ 4,420,000	\$	\$ 6,023,658	\$ 10,443,658
2010	5,080,000		5,855,282	10,935,282
2011	5,750,000		5,662,045	11,412,045
2012	6,380,000		5,434,170	11,814,170
2013	7,158,580	56,420	5,188,750	12,403,750
2014-2018	24,189,050	16,345,950	22,055,019	62,590,019
2019-2023	29,183,200	11,726,800	21,035,500	61,945,500
2024-2028	42,319,055	6,160,945	15,984,250	64,464,250
2029-2032	37,655,000		4,255,500	41,910,500
Total Debt Service	<u>\$ 162,134,885</u>	<u>\$ 34,290,115</u>	<u>\$ 91,494,174</u>	<u>\$ 287,919,174</u>

**NOTE 10 – LONG-TERM DEBT:**

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

	Balance 6/30/2007*	Additions	Retirements	Balance June 30, 2008	Balance Due In One Year
Compensated absences	\$ 4,484,418	\$ 260,628	\$	\$ 4,745,046	\$ 2,686,689
Capital leases	1,370,980		477,878	893,102	501,623
Certificates of participation	33,875,000		450,000	33,425,000	500,000
Financing Agreement	16,071,446		529,696	15,541,750	542,167
General obligation bonds:					
Bonds payable	95,564,898	70,999,987	4,430,000	162,134,885	4,420,000
Accreted interest	6,520,168	1,198,772		7,718,940	
Bond premium	7,136,968	2,506,185	645,274	8,997,879	
Deferred liability	(957,524)		(45,596)	(911,928)	
Supplemental employee retirement plan	1,285,366	2,888,138	1,364,164	2,809,340	745,984
	<u>\$ 165,351,720</u>	<u>\$ 77,853,710</u>	<u>\$ 7,851,416</u>	<u>\$ 235,354,014</u>	<u>\$ 9,396,463</u>

\*Certain reclassifications have been made to the summarized long-term debt schedule for the year 2006-07 to conform to the 2007-08 presentation

## LONG BEACH COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

#### 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 \$50,000 for each general liability claim and \$10,000 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 2007-08 totaled \$63,745.

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 \$1M. 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 2007-08 totaled \$202,160.

#### Claims Liability

At June 30, 2008, 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 \$1,431,672.

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, 2008**

**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 2007-08 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, 2008**

**NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)**

**Public Employees' Retirement System (PERS)**

**Plan Description**

The District and Auxiliary contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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 2007-08 was 9.306% of annual payroll for the District and 27.682% 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
2006	\$3,195,802	100%	\$2,152,880	\$ 182,320	100%
2007	3,459,326	100%	2,439,705	172,692	100%
2008	3,572,485	100%	2,753,880	199,837	100%



**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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 \$521,777 during the fiscal year. The total amount of covered compensation was \$6,956,974. 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, 2008 is \$2,809,340.

**2003-04 Supplemental Employee Retirement Plan:**

In 2003-04, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees.

A total of 26 faculty and 11 management/confidential employees initially participated in the plan with 2 management/confidential employees being added in August 2004. A total of 39 employees are now participating in the plan. The total cost to the District is approximately \$3 million. The District will pay benefits of \$586,982 annually through 2007-08. There is no remaining liability in this plan.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 13 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN: (continued)**

**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 will pay benefits of \$135,075 annually over five years totaling \$675,375. The first payment was made during 2006-07. The total remaining liability of \$405,225 has been reflected in these financial statements.

**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 will pay benefits of \$39,521 annually through 2010-11 totaling \$197,605. The total remaining liability of \$118,563 has been reflected in these financial statements.

**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 \$2,285,552 has been reflected in these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**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 March 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	162
Terminated plan members entitled to but but not yet receiving benefits	0
Active plan members	<u>846</u>
Total	<u>1,008</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 14 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)**

**Summary of Significant Accounting Policies**

*Basis of Accounting.* The statements of plan net assets and changes in plan net assets 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.

*Method Used to Value Investments.* Investments are reported at fair value, which is determined by the most recent bid and asked prices as obtained from dealers that make markets in such securities.

**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. Contribution requirements to the trust are established and may be amended by the District. For fiscal year 2007-08, the District did not make a contribution to the trust. The ending reserve balance in the trust totaled \$1,036,127 at June 30, 2008.

**Funding Status and Funding Progress**

As of March 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$19,923,941 and the unfunded actuarial accrued liability (UAAL) was \$19,819,552. The covered payroll (annual payroll of active employees covered by the plan) was \$59,365,956, and the ratio of the UAAL to the covered payroll was 33.39%.

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 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, 2008**

**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 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 March 1, 2007 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. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2008, was twenty-nine years.

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

The District participates in three joint Powers Agreements (JPA) entities: the Statewide Association of Community Colleges (SWACC), Protective Insurance Program for Schools (PIPS), and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

SWACC provides liability and property insurance for approximately nineteen 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.

PIPS provides workers' compensation insurance protection to its membership for public schools and community colleges throughout California.

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass through entity and financial information is not available. For the fiscal year 2007-08, the District refunded \$411,474 to the Authority for corrections in tax calculations.

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.

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.

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

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

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

	SWACC 6/30/2007 <u>(Audited)</u>	PIPS 6/30/2007 <u>(Audited)</u>
Total assets	\$ 35,927,403	\$ 76,862,028
Total liabilities	<u>18,039,163</u>	<u>55,617,284</u>
Net assets	<u>\$ 17,888,240</u>	<u>\$ 21,244,744</u>
Total revenues	\$ 9,834,727	\$ 48,979,901
Total expenditures	<u>4,110,902</u>	<u>33,691,917</u>
Change in net assets	<u>\$ 5,723,825</u>	<u>\$ 15,287,984</u>

**NOTE 16 – FUNCTIONAL EXPENSES:**

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Deprceiation	Total
Instructional	\$ 43,447,392	\$ 13,173,611	\$ 4,101,143	\$	\$	\$ 60,722,146
Academic Support	7,389,953	1,960,567	912,446			10,262,966
Student Services	12,799,033	3,432,256	1,035,494			17,266,783
Operation & Maintenance of Plant	4,957,302	1,329,376	3,236,682			9,523,360
Institutional Support	10,269,119	2,758,384	6,228,796			19,256,299
Community Services and Economic Development	2,651,564	711,057	3,336,124			6,698,745
Ancillary Services and Auxiliary Operations	3,835,904	1,359,978	6,977,453			12,173,335
Student Aid				28,249,893		28,249,893
Other Outgo	19,360	2,089,801	8,771,258			10,880,419
Depreciation Expense					3,385,539	3,385,539
<b>Total</b>	<u>\$ 85,369,627</u>	<u>\$ 26,815,030</u>	<u>\$ 34,599,396</u>	<u>\$ 28,249,893</u>	<u>\$ 3,385,539</u>	<u>\$ 178,419,485</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 17 - COMMITMENTS AND CONTINGENCIES:**

**A. State and Federal Allowances, Award and Grants**

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

**B. Purchase Commitments**

As of June 30, 2008, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$31 million. Projects will be funded through bond proceeds and state funding for capital outlay projects.

**C. Litigation**

The District is involved in an unfair practice charge and a bargaining unit layoff claim arising in the ordinary course of business, the outcomes of which are not known at the present time. The estimated claim amount related to the unfair practice charge is approximately \$439,000. The bargaining unit claim can not be estimated at this time. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.



LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 18 - SUBSEQUENT EVENTS:

A. GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement will be effective for the District in fiscal year 2008-09. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement will also require that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

On January 24, 2006, the Board of Trustees approved the District's participation in the FUTURIS Public Entity Investment Trust. The Trust is an alternative for mitigating the unfunded liability required by GASB 45. As of June 30, 2008, the District has contributed \$1,000,000 to the Trust. The Trust activity is reported in the fiduciary statements of plan assets. Additional disclosure is presented in Note 14.

B. General Obligation Bonds

On May 27, 2008 the Board authorized the District to issue Series A general obligation bonds in the aggregate amount of \$48,373,981. The bonds are authorized by an election conducted within the District February 2008 under Proposition 39 and were issued on July 8, 2008. The bonds are issued in order to finance the construction, acquisition, furnishing and equipping of District facilities.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 18 - SUBSEQUENT EVENTS: (continued)**

**C. Defeasement of Long-Term Debt**

With the subsequent bond issuance, the District exercised their option to prepay the following debt in accordance with the project list to purchase real property and equipment leased by the District:

<u>Long-Term Debt</u>	<u>Prepaid Amount</u>	<u>Payment Date</u>
Financing Agreement	\$16,348,368	July 25, 2008
Capital Lease	803,148	October 1, 2008
Certificates of Participation	30,502,449	July 31, 2008

**D. Purchase Agreements for Properties**

On July 8, 2008, the Board of Trustees approved the purchase agreements for properties located in Long Beach, California for the following amounts plus any other relocation and/or incidental expenses:

- 1521-1527 Pacific Coast Highway for \$1,850,000;
- 1585 Pacific Coast Highway for \$710,000; and
- 1501 Pacific Coast Highway for an amount not to exceed \$750,000.

On September 23, 2008, the Board of Trustees approved the purchase agreement for property at 4900 & 4910 E. Conant Street in Long Beach, California, for the purchase price of \$11,500,000 plus all applicable fees and charges required for closing. Closing of escrow is contingent on terms of the purchase agreement.

**E. Dissolution of the Long Beach Community College Financing Authority Corporation**

With the defeasement of debt associated with the Certificates of Participation, the Long Beach Community College Financing Authority Corporation (the Corporation) is in the process of dissolution.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

For the Fiscal Year Ended June 30, 2008

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	3/1/2007	\$ 104,389	\$ 19,923,941	\$ 19,819,552	0.5%	\$ 59,365,956	33.39%

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, 2008, the balance in the trust was \$1,036,127 from District contributions made during the 2006-07 fiscal year and interest earnings. In addition, the District does maintain a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2008, the fund's designated balance was \$7,243,047.

Fiscal year 2008 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. The District elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three year 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, 2008**

<b><u>Year Ended June 30,</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>
2008	\$ 0	N/A

Note: In May 2006, the District established an irrevocable trust for investment and disbursement of funds for the payment of its obligations to eligible employees. At June 30, 2008, District contributions to the trust totaled \$1,000,000.

Fiscal year 2008 was the year of implementation of GASB Statement No. 43 and the District elected to implement prospectively, therefore prior year comparative data is not available. In future years, three year trend information will be presented.

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, 2008

**NOTE I - PURPOSE OF SCHEDULES:**

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

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

**B. Schedule of Employer Contributions**

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 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, 2008

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 28,000 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, English as a Second Language instruction, economic development, and lifelong learning.

#### BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Jeffrey A. Kellogg	President	April 2010
Mr. Mark J. Bowen	Vice President	April 2010
Mr. Douglas W. Otto	Member	April 2012
Mr. Roberto Uranga	Member	April 2012
Dr. Thomas J. Clark	Member	April 2010
Ms. Kathryn Brown	Student Trustee	May 2009

#### ADMINISTRATION

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



LONG BEACH COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Fiscal Year Ended June 30, 2008

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>Student Financial Aid Cluster</b>			
Department of Education			
Direct			
Supplemental Educational Opportunities Grant (SEOG)	84 007	n/a	\$ 700,691
Administrative Allowance - Campus Based Programs	84 000	n/a	82,694
Federal Work Study	84.033	n/a	618,844
Administrative Allowance - Pell	84.033	n/a	42,450
Pell	84.063	n/a	19,680,320
William D. Ford Direct Loan Program	84.268	n/a	3,770,969
Academic Competitiveness Grant	84.375	n/a	94,675
Subtotal Department of Education			<u>24,990,643</u>
Department of Health and Human Services			
Direct:			
Scholarship for Disadvantaged Nursing Students	93.364	n/a	229,398
Subtotal Department of Health and Human Services			<u>229,398</u>
Total Student Financial Aid Cluster			
			<u>25,220,041</u>
<b>TRIO Cluster</b>			
Department of Education			
Direct:			
Student Support Services-Project Launch	84.042A	n/a	275,646
Student Support Services-Disabled	84.042A	n/a	225,589
Upward Bound	84.047A	n/a	582,547
Total TRIO Cluster			
			<u>1,083,782</u>
<b>Workforce Investment Act (WIA) Cluster</b>			
Department of Labor			
Direct			
Title I Workforce Investment Act, Construction Apprenticeship Program	17.258	n/a	36,336
Pass-Through Program from Chancellor's Office			
Workforce Investment Act, Nursing Initiative Chancellor's Office	17.258	(1)	219,926
Pass-Through Program from City of Long Beach			
Workforce Investment Act, Logistics Partnership	17.258	(1)	84,698
Total Workforce Investment Act Cluster			
			<u>340,960</u>
<b>Department of Agriculture</b>			
Direct			
Child Nutrition Program	10.558	n/a	14,006
<b>Small Business Development Center</b>			
Direct:			
Small Business Development Center (SBDC)	59.037	n/a	2,979,539

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, 2008**

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
<b>Department of Education</b>			
Direct:			
Title V, Strengthen Success and Transfer			
Latinos Excellence in Academic Program ( LEAP)	84 031S	n/a	270,196
Project Management	84 031S	n/a	238,690
Strengthening Student Learning Outcome Success and Transfer	84 031S	n/a	142,731
Basic Skills	84 031S	n/a	326,684
Veteran's Education	84 065	n/a	3,029
Subtotal Direct Programs			<u>981,330</u>
Pass-Through Program from California Community College Chancellor's Office			
Vocational and Applied Technical Education Act (VTEA):			
Educational Act (Title I.C.)	84 048	(1)	932,780
Tech Prep Education	84 243	(1)	76,532
Subtotal Pass-Through Program from California Community College Chancellor's Office			<u>1,009,312</u>
Total Department of Education			<u>1,990,642</u>
<b>Department of Health and Human Services</b>			
Pass-Through Program from California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93 558	(1)	<u>237,834</u>
<b>Corporation for National and Community Service (CNCS)</b>			
Direct:			
AmeriCorps National Service Awards	94 006	n/a	<u>200,735</u>
Total Federal Grants			<u>\$ 32,067,539</u>
<b>Student Financial Aid Loan Programs:</b>			
<u>Loans Outstanding</u>			
Long Beach Community College District had the following loan balance outstanding as of 6/30/08:			
Perkins Program	84 038	n/a	<u>\$ 2,080,699</u>

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, 2008

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Total	Program Expenditures
State Categorical Aid Programs:					
Advance Transportation Technology Training (ATTC)	\$ 204,461	\$ 539	\$	\$ 205,000	\$ 205,000
Articulation Number System	5,065		411	4,654	4,654
Basic Skills	496,375		471,230	25,145	25,145
Block Grant - One-Time	1,277,270		263,078	1,014,192	1,014,192
Board of Governors Financial Assistant Program (BFAP)	878,939			878,939	878,939
CalWORKS	1,343,950			1,343,950	1,343,950
California High School Exit Exam Preparation Grant (CAHSEE)		182,913		182,913	182,913
California Transportation and Logistics Institute		7,700		7,700	7,700
Career Technical Equipment	225,114			225,114	225,114
Chancellor's Office Small Business Development Center (SBDC)	89,277		41,413	47,864	47,864
Cooperative Agencies Resources for Education (CARE)	53,462			53,462	53,462
Center for Trade Development	185,655		15,376	170,279	170,279
Disabled Student Program and Services (DSPS)	1,310,240			1,310,240	1,310,240
DPSS Calworks Supplement	213,951	46,860		260,811	260,811
DPSS Career in Childcare	152,570	7,060		159,630	159,630
Enhancing Nursing	335,234	4,569		339,803	339,803
Extended Opportunities Program and Services (EOPS)	1,164,912			1,164,912	1,164,912
Fund for Instructional Improvement (FI) - Plandarium	8,020		7,084	936	936
Foster Care	158,994		9,115	149,879	149,879
Goods Movement	215,301			215,301	215,301
JDIF Health Administration	368,568	26,369		394,937	394,937
Logistics Consortium Program		4,756		4,756	4,756
Los Angeles Universal Preschool Workforce Initiative	404,756		164,436	240,300	240,300
Lottery	475,449	363,013	114,308	724,154	724,154
Model Approach to Partnership in Parenting (MAPP)	40,001	4,927	31,985	12,943	12,943
Matriculation - Credit	1,275,629			1,275,629	1,275,629
Matriculation - Non-Credit	255,894			255,894	255,894
Nursing Faculty Retention Program	23,272	97,843		121,115	121,115
Pon Opportunity	162,585			162,585	162,585
SB-70 Architecture	13,419	125,772		139,191	139,191
SB-70 Construction Academy		127,058		127,058	127,058
SB-70 Transportation Log	74,271		37,522	36,749	36,749
Staff Development	64,866		53,627	11,239	11,239
Staff Diversity	53,781		28,377	25,404	25,404
Telecommunications and Technology Infrastructure Program (TTIP)					
TTIP Grant	141,017		1,102	139,915	139,915
TTIP - Library Automation	45,522		28,040	17,482	17,482
TTIP - Total Cost of Ownership (TCO)	20,451		8,911	11,540	11,540
Workplace Learning Resource	153,024		10,561	142,463	142,463
Young Entrepreneur		6,274		6,274	6,274
<b>Total State Programs</b>	<b>\$ 11,891,275</b>	<b>\$ 1,005,653</b>	<b>\$ 1,286,576</b>	<b>\$ 11,610,352</b>	<b>\$ 11,610,352</b>

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, 2008**

	Annual - Factored		
	Reported Data	Audit Adjustments	Revised Data
<b>A. Summer Intersession (Summer 2007 only)</b>			
1. Noncredit <sup>1</sup>	227.32		227.32
2. Credit	1,246.71		1,246.71
<b>B. Summer Intersession (Summer 2008 - Prior to July 1, 2008)</b>			
1. Noncredit <sup>1</sup>	27.86		27.86
2. Credit	1,458.10		1,458.10
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,162.30		14,162.30
(b) Daily Census Contact Hours	2,783.02		2,783.02
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	999.71		999.71
(b) Credit	517.62		517.62
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	77.93		77.93
(b) Daily Census Contact Hours	28.66		28.66
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
<b>D. Total FTES</b>	<b>21,529.23</b>	<b>-</b>	<b>21,529.23</b>
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	402.76		
<b>H. Basic Skills courses and Immigrant Education</b>			
(a) Noncredit <sup>1</sup>	872.54		
(b) Credit	1,118.23		
<b><u>CCFS 320 Addendum</u></b>			
CDCP Noncredit FTES	644.05		
<b>Centers FTES</b>			
Noncredit	710.39		
Credit	3,886.27		

<sup>1</sup> 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, 2008**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2008 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles.

The financial data for activity of the Auxiliary and activity of the Associated Student Body (ASB) are 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,

	<u>(Budget) 2009 (3)</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>GENERAL FUND (COMBINED):</b>								
<b>Revenue</b>								
Federal	\$ 7,656,760	5.5	\$ 7,337,301	5.5	\$ 7,532,788	6.0	\$ 5,449,441	4.9
State	106,240,006	75.9	104,336,861	77.9	99,214,161	78.5	82,276,238	73.9
County and Local	19,931,448	14.3	20,533,065	15.3	25,686,929	20.3	23,016,254	20.7
Other Financing Sources	3,058,291	2.2	3,521,215	2.6	1,693,294	1.3	2,079,773	1.9
Total Revenue	<u>136,886,505</u>	<u>97.9</u>	<u>135,728,442</u>	<u>101.3</u>	<u>134,127,172</u>	<u>106.1</u>	<u>112,821,706</u>	<u>101.4</u>
<b>Expenditures</b>								
Academic Salaries	53,220,850	38.0	50,693,690	37.8	48,448,326	38.3	44,857,168	40.3
Classified Salaries	33,934,967	24.3	32,045,774	23.9	29,019,815	23.0	25,523,700	22.9
Employee Benefits	27,351,196	19.6	25,845,628	19.3	23,999,484	19.0	21,318,724	19.2
Supplies and Materials	2,954,627	2.1	2,496,110	1.9	2,701,085	2.1	2,005,331	1.8
Other Operating Expenses and Services	16,178,980	11.6	12,956,059	9.7	13,552,963	10.7	9,843,222	8.9
Capital Outlay	2,148,437	1.5	5,043,732	3.8	2,598,862	2.1	1,688,157	1.5
Other Uses	4,055,921	2.9	4,953,482	3.6	6,059,161	4.8	6,052,067	5.4
Total Expenditures	<u>139,844,978</u>	<u>100.0</u>	<u>134,034,475</u>	<u>100.0</u>	<u>126,379,696</u>	<u>100.0</u>	<u>111,288,369</u>	<u>100.0</u>
Change in Fund Balance	\$ <u>(2,958,473)</u>	<u>(2.1)</u>	\$ <u>1,693,967</u>	<u>1.3</u>	\$ <u>7,747,476</u>	<u>6.1</u>	\$ <u>1,533,337</u>	<u>1.4</u>
Restatement of Fund Balance	\$ <u>-</u>	<u>-</u>	\$ <u>-</u>	<u>-</u>	\$ <u>425,390</u>	<u>0.3</u>	\$ <u>-</u>	<u>-</u>
Ending Fund Balance	\$ <u>14,941,606</u>	<u>10.7</u>	\$ <u>17,900,079</u>	<u>13.4</u>	\$ <u>16,206,112</u>	<u>12.8</u>	\$ <u>8,033,246</u>	<u>7.2</u>
Available Reserve Balance (1)	\$ <u>7,278,110</u>	<u>5.2</u>	\$ <u>10,074,971</u>	<u>7.5</u>	\$ <u>7,475,434</u>	<u>5.9</u>	\$ <u>4,302,185</u>	<u>3.9</u>
Full-time Equivalent Students (2)	<u>21,641</u>		<u>21,529</u>		<u>21,268</u>		<u>18,806</u>	
Total Long-Term Debt	\$ <u>276,657,488</u>		\$ <u>235,354,014</u>		\$ <u>164,144,566</u>		\$ <u>148,768,488</u>	

**IMPORTANT NOTES:**

- (1) Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the unrestricted General Fund. The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum, with a prudent ending fund balance being 5% of expenditures.
- (2) Full-time equivalent students (FTES) represent credit and non-credit factored FTES and excludes FTES generated by non-residents.
- (3) The 2009 budget is the Plan and Budget adopted by the Board of Trustees on September 23, 2008.
- (4) All percentages are of total expenditures including contingencies.

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, 2008

	General Fund (Combined)		
	Adopted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 1,179,520	\$ 978,301	\$ (201,219)
Temporary Assistance for Needy Families (TANF)	160,115	237,834	77,719
Veterans Education	133,000	3,029	(129,971)
Vocational and Technical Education Act	1,009,426	1,009,312	(114)
Other Federal Revenue	3,720,745	5,108,825	1,388,080
<b>Revenue from State Sources</b>			
General Apportionments	85,978,831	88,668,108	2,689,277
Categorical Apportionments	13,400,968	11,939,892	(1,461,076)
Other State Revenues	3,458,182	3,728,861	270,679
<b>Revenue from Local Sources</b>			
Property Taxes	12,320,000	9,758,128	(2,561,872)
Interest and Investment Income	900,000	1,051,209	151,209
Student Fees and Charges	6,980,815	6,597,894	(382,921)
Other Local Revenue	2,999,311	3,125,834	126,523
<b>TOTAL REVENUES</b>	<u>132,240,913</u>	<u>132,207,227</u>	<u>(33,686)</u>
<b>EXPENDITURES</b>			
Academic Salaries	49,787,834	50,693,690	(905,856)
Classified Salaries	31,070,731	32,045,774	(975,043)
Employee Benefits	25,717,763	25,845,628	(127,865)
Supplies and Materials	2,818,375	2,496,110	322,265
Other Operating Expenses & Services	14,475,171	12,956,059	1,519,112
Capital Outlay	4,103,379	5,043,732	(940,353)
<b>TOTAL EXPENDITURES</b>	<u>127,973,253</u>	<u>129,080,993</u>	<u>(1,107,740)</u>
Excess of revenues over expenditures	<u>4,267,660</u>	<u>3,126,234</u>	<u>(1,141,426)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers In	3,017,269	3,521,215	503,946
Interfund Transfers Out	(2,995,186)	(4,427,892)	(1,432,706)
Student Financial Aid	<u>(1,363,114)</u>	<u>(525,590)</u>	<u>837,524</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,341,031)</u>	<u>(1,432,267)</u>	<u>(91,236)</u>
Excess of revenues over expenditures and other sources (uses)	<u>\$ 2,926,629</u>	1,693,967	<u>\$ (1,232,662)</u>
Fund Balances, beginning of year		<u>16,206,112</u>	
Fund Balance, end of year		<u>\$ 17,900,079</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, 2008

**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, 2008 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedules of Expenditures of Federal Awards and State Financial Assistance were prepared for the Long Beach Community College District on the accrual basis of accounting.

**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.

**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.



**OTHER INDEPENDENT AUDITORS' REPORTS**



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

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, 2008, and have issued our report thereon dated November 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Long Beach 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

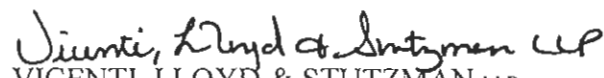
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

November 11, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO 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 are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

November 11, 2008



## 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 basic financial statements of Long Beach Community College District, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 11, 2008.

Our examination was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the California Department of Finance's 2008 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to the Long Beach Community College District is to determine with reasonable assurance:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for 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.
- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California residents 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.

## REPORT ON STATE COMPLIANCE

- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$3,857,806.
- 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 has 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.

In our opinion, Long Beach Community College District complied with the compliance requirements for the state programs listed on the previous pages and tested. Nothing came to our attention as a result of the aforementioned procedures to indicate that Long Beach Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

## REPORT ON STATE COMPLIANCE

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

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

November 11, 2008



## **FINDINGS AND RECOMMENDATIONS**

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

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified?        Yes   X   No  
 Significant deficiencies identified not considered  
 to be material weaknesses?        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, 84.063, 84.268, 84.375 and 93.364	Student Financial Assistance Cluster of Programs
84.048	Vocational and Applied Technical Education Act (VTEA): Title I.C.

Dollar threshold used to distinguish between Type A  
 and Type B programs: \$ 962,026

Auditee qualified as low-risk auditee?        Yes   X   No

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Finding No.	Finding	Recommendation	Current Status
07-1	<p><b><u>INTERNAL CONTROL – AUDIT ADJUSTMENTS</u></b></p> <p>Statement on Auditing Standards No. 112 states that “controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements are deficiencies that ordinarily are at least significant deficiencies in internal control.” Generally, controls that are relevant to an audit of financial statements are those that pertain to the District’s objective of reliable financial reporting. Of significant importance are the controls over the entries made in conjunction with the District’s closing procedures. Closing procedures require review to ensure that the accounting and reporting are accurate and in accordance with applicable standards.</p> <p>The following errors were noted during the audit that resulted in audit adjustments:</p> <ul style="list-style-type: none"> <li>• General Fund – cash understated (\$379,015)</li> <li>• Bond Building Fund – over accrual accounts payable (\$777,679)</li> <li>• Bond Building Fund – under accrual prepaid expense (\$441,843)</li> </ul> <p>An adequate review process could have prevented or detected these errors in a timely manner. Considering the magnitude of the above adjustments, a material weakness exists as the control deficiency effected the District’s ability to prevent or detect material misstatements.</p>	<p>Have management review the closing procedures currently in place to determine additional safeguards that could be implemented to strengthen the internal control.</p>	Implemented.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

Finding No.	Finding	Recommendation	Current Status
07-2	<p><u>INTERNAL CONTROL: CASH – ASSOCIATED STUDENT BODY (ASB) AND AUXILIARY</u></p> <p>Original Finding: 05-5</p> <p>The following observations were noted in our review of ASB and Auxiliary procedures and controls:</p>	<p>i. Safeguarding of Cash (ASB) - Cash drawers used by the ASB should be adequately safeguarded and individual accountability should be maintained. Currently, the cash register used in the ASB office is used by the two ASB employees. When not in use, the drawer is not kept locked to prevent theft or misuse. In the event of a shortage, it would be difficult to determine who is responsible for the shortage.</p> <p>ii. Safeguarding of Cash (Auxiliary) - Money turned in by bookstore cashiers should be verified in dual custody. In the event of a large variance it would be difficult to determine who is responsible for the shortage.</p>	<p>i. Remove the key for the cash register and store it in a safe location while not in use. This will prevent unauthorized individuals from gaining access to the cash register.</p> <p>ii. Implement procedures to maintain individual accountability.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Finding No.	Finding	Recommendation	Current Status
07-3	<p><b><u>INTERNAL CONTROL: AUXILIARY SEGREGATION OF DUTIES</u></b></p> <p>Based on responses to the internal control questionnaires, the following observations are made related to segregation of duties as one employee, the Payroll Clerk, has primary responsibility for the below suggested controls.</p> <p>Segregation of Duties related to Payroll:</p> <p>To the maximum extent possible, separate individuals should be responsible for:</p> <ul style="list-style-type: none"> <li>o Maintaining personnel files</li> <li>o Entering employees in the computer system</li> <li>o Making rate changes in the computer system</li> <li>o Verifying time sheets, cards, etc.</li> <li>o Preparing payroll journal/checks</li> <li>o Distributing checks</li> </ul> <p>The Payroll Clerk has a concentration of key responsibilities such as inputting new employees, inputting time cards and distributing checks, which provides an opportunity for unauthorized transactions to occur. Additionally, with the Payroll Clerk inputting rate changes, procedures should be in place to ensure that rate changes made in the payroll system are reviewed after input to ensure accuracy and propriety. Inaccurate or unauthorized pay changes could occur and not be identified.</p>	<p>We recommend that management review the procedures noted above to determine additional safeguards that could be implemented to strengthen the internal control. Deficiencies in internal control, individually or in combination with other control deficiencies, represent opportunities for misappropriation of District funds. Management is responsible to continuously assess the risk that internal controls are no longer effective and to revise procedures and job responsibilities as needed.</p>	Implemented.

LONG BEACH COMMUNITY COLLEGE DISTRICT  
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Finding No.	Finding	Recommendation	Current Status
07-3	<p><u>INTERNAL CONTROL: AUXILIARY SEGREGATION OF DUTIES (continued)</u></p> <p>Segregation of Duties Related to Payroll Cash Account:</p> <p>To the maximum extent possible, separate individuals should be responsible for:</p> <ul style="list-style-type: none"> <li>o Opening mail</li> <li>o Preparing list of remittances</li> <li>o Preparing deposits</li> <li>o Taking deposits to bank</li> <li>o Comparing remittance lists with bank deposits</li> <li>o Maintaining cash receipts journals</li> <li>o Preparing checks</li> <li>o Approving disbursements</li> <li>o Reconciling bank accounts</li> <li>o Maintaining cash disbursement journal</li> </ul> <p>Our review of segregation of duties identified that the Payroll Clerk position has responsibility to perform the functions listed above for the Payroll Cash bank account. The combination of transaction authorization, record keeping, and custody responsibilities increases the inherent limitation to the effectiveness of internal control. Unauthorized withdrawals or transfers could be made and journal entries prepared to conceal the transaction.</p>		



LONG BEACH COMMUNITY COLLEGE DISTRICT  
 STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
 June 30, 2008

Finding No.	Finding	Recommendation	Current Status
07-3	<p><u>INTERNAL CONTROL: AUXILIARY            SEGREGATION OF DUTIES (continued)</u></p> <p>Segregation of Duties Related to Journal Entries:</p> <p>Review and approval procedures should be in place for all journal entries to ensure journal entries posted are accurate and appropriate. Our review noted that journal entries prepared by the Payroll Clerk are not reviewed or approved prior to input. In addition, month end journal entry logs are printed out; however, there is no evidence of review by the Assistant Director.</p>		

LONG BEACH COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2008

Finding No.	Finding	Recommendation	Current Status
07-4	<p><b><u>STATE COMPLIANCE: CONCURRENT ENROLLMENT</u></b></p> <p>Procedures should be in place to adequately calculate and monitor compliance with the concurrent enrollment ten percent and five percent rules. Per Education Code Section 76002(a)(4), the district shall not receive State apportionment for special part-time and full-time students enrolled in physical education courses as defined below:</p> <ul style="list-style-type: none"> <li>• Five Percent Rule – courses where the ratio of special part-time and full-time students is in excess of five percent of the district's total reported FTES (Full Time Equivalent Students) of special part-time and full-time students</li> <li>• Ten Percent Rule – courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section</li> </ul>	<p>Develop procedures to monitor and exclude from the CCFS-320 report the FTES generated as of census date for physical education courses in excess of the ten percent and five percent maximum. No revisions to the CCFS-320 for the 2006-07 fiscal year are necessary as the non-compliance is less than one FTES.</p>	Implemented.

LONG BEACH COMMUNITY COLLEGE DISTRICT  
 STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
 June 30, 2008

Finding No.	Finding	Recommendation	Current Status
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07-4 STATE COMPLIANCE: CONCURRENT ENROLLMENT (continued)

Our testing noted that monitoring procedures are not in place over concurrent enrollment. Based upon the reports provided, we determined the District complied with questioned percentages in regards to the five percent rule; however, we identified one physical education course section with enrollment of special part-time and full-time students in excess of ten percent of total enrollment. The non-compliance course is as follows:

Term	Course ID	Course #	Course Name	Percentage
Sum 06	PEG 83AD	50351	Tennis	25%

Course sections in excess of ten percent are an indication of non-compliance and overstated the FTES claimed on the CCFS-320 report by .38 FTES. Although the District is not required to adjust for FTES less than one, continued lack of monitoring procedures could subject the District to future non-compliance and misstatement of FTES that could result in an adjustment to the CCFS-320.

LONG BEACH COMMUNITY COLLEGE DISTRICT  
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Finding No.	Finding	Recommendation	Current Status
07-5	<p><b><u>FEDERAL COMPLIANCE: FEDERAL WORK STUDY – PAYROLL DOCUMENTATION</u></b></p> <p>Federal Program: Federal Work Study Federal Catalog Number: 84.033 Compliance Requirement: N. Special Tests and Provisions Award Amount: \$635,173</p> <p><b>Original Finding: 05-6</b></p> <p>Time cards for Federal Work Study (FWS) students should be signed by the employee and their immediate supervisor. A review of a sample of student time cards indicated that signatures were not present and supervisors' signatures were inconsistent from department to department. District policy acknowledges the Time and Reporting System (TARS) electronic authorization as the official record, however, the District's policy does not address the issue of signatures on Federal Work Study time cards. The policy does require that time cards are maintained. The Federal Student Financial Aid Handbook requires that certification must be signed by the student's supervisor, an official of the school or off-campus agency as appropriate. A memo was sent to FWS Supervisors in April 2006 regarding timekeeping requirements. Our review of ten time cards determined that procedures had not been fully implemented.</p>	<p>Continue with implementation of new procedures related to FWS timekeeping requirements and ensure all departments are complying with the requirements.</p>	<p>Implemented.</p>

**CONTINUING DISCLOSURE INFORMATION**

**LONG BEACH COMMUNITY COLLEGE DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2008**

Assessed valuation for fiscal year 2007-08	\$ 45,108,609,179	(2)
Secured tax levies for fiscal year 2007-08	\$ 10,317,393	(1)
Secured tax delinquencies for fiscal year 2007-08	\$ 895,575	(1)
Secured tax collections for fiscal year 2007-08	\$ 9,421,818	(1)

**2007-08 Largest Local Secured Taxpayers**

<u>Property Owner</u>	<u>Land Use</u>	<u>2007-08 Assessed Valuation</u>	<u>% of Total</u>
1. The Boeing Company	Industrial	\$ 390,363,899	0.87%
2. Macerich Lakewood LLC	Shopping Center	262,616,840	0.58
3. AES Alamitos LLC	Power Plant	255,901,148	0.57
4. Camden Realty Inc.	Apartments	133,719,165	0.30
5. GREIT One World Trade Center LP	Office Building	120,116,076	0.27
6. Trizechahn Colony Square GP LLC	Office Building	109,900,000	0.24
7. 200 Oceangate LLC	Office Building	94,100,000	0.21
8. GRE Shoreline Square LP	Office Building	90,930,960	0.20
9. Arco Terminal Services Corp.	Industrial	85,358,555	0.19
10. Noble Utah Long Beach LLC	Hotel	83,640,000	0.19
11. Advanced Group 05-86	Apartments	78,653,112	0.17
12. City Place Long Beach LLC	Shopping Center	74,529,208	0.17
13. HEI Long Beach LLC	Hotel	64,525,098	0.14
14. Alamitos Bay Partnership	Hotel	58,434,634	0.13
15. Sunstone Ocean LLC	Hotel	57,364,800	0.13
16. Viewcor Long Beach I LP	Commercial	48,455,006	0.11
17. ASN City Place LLC	Commercial	47,317,293	0.10
18. California Drive In Theatres Inc.	Commercial	46,360,318	0.10
19. Pacific Castle	Shopping Center	45,101,340	0.10
20. Santa Catalina Island Co.		41,193,943	0.09
		<u>\$ 2,188,581,395</u>	4.86%

2007-08 Local Secured Assessed Valuation: \$45,108,609,179

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

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