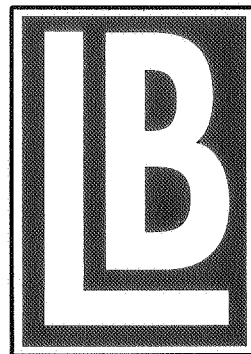


LONG BEACH COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2005**



CITY

COLLEGE

LONG BEACH COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2005

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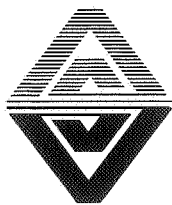
LONG BEACH COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2005

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SHARI PROSSER

COLLEEN K. TAYLOR

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, 2005 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. The prior year, before restatement, was audited by other auditors which report dated November 4, 2004 express an unqualified opinion on those statements. We also reviewed the restatements described in Note 17 that were applied to restate the June 30, 2004 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

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, 2005, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2005 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

Board of Trustees
Long Beach Community College District

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial 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 management's discussion and analysis 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 financial statements. The management's discussion and analysis section and supplementary section 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis section 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 4, 2005

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

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, 2005. This discussion is prepared by management and should be read in conjunction with the financial statements and notes thereto 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 distinct but highly inter-related campuses, the Liberal Art Campus and the Pacific Coast Campus, and at numerous 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 Standard's 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. As nearly all public colleges and universities nationwide have selected the BTA reporting model, it will be easier to display comparable data if we follow industry standards. As such, the District will continue to use the BTA model for reporting these financial statements.

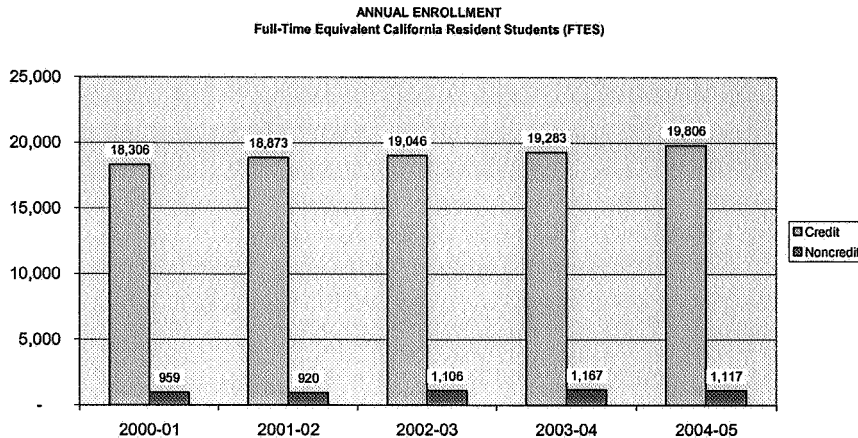
Financial and Enrollment Highlights

- The District's primary funding source is "Program-Based Funding" received from the State of California through the State Chancellor's Office. Program-Based Funding is comprised of State apportionment, local property taxes, and student enrollment fees, which were \$26.00 per unit in the year ending June 30, 2005. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total FTES were 20,923, for the 2005 fiscal year.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005



- The District ended the year with an Unrestricted General Fund balance of \$4,921,076 which is an increase of \$3,316,010, net of amounts restated as described in Note 17, over the prior year.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. These costs decreased from the 2004-05 fiscal year by approximately \$2.1 million (2%), as shown on page x. This is primarily due to the impact of the early retirement incentive program.
- The District has begun several construction and modernization projects at the Liberal Arts and Pacific Coast campuses. These projects are funded through the District's \$176 million general obligation bond program. The District has issued the first \$40 million of bonds and has made substantial progress on the Child Development and Warehouse facility.
- The District provided student financial aid to qualifying students of the District in the amount of approximately \$22.9 million, as shown on page 43. This represents a decrease of approximately \$4.7 million over the 2003-04 fiscal year. This aid is provided through grants, loans, and fee reductions from the Federal and State governments and is accounted for in the Student Financial Aid Fund.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three 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 Standard 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 funds including Student Financial Aid Programs.

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, 2005 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	\$ 4,921,076
Restricted Fund Balance	1,578,833
Bond Interest and Redemption Fund Balance	1,108,452
Building Fund Balance	19,570,139
Capital Outlay Funds Balance	3,289,201
All Other Funds	<u>4,733,500</u>
 Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	 <u>35,201,201</u>
 COPS Debt Service trustee fund activity (not reported on CCFS-311, see page 47)	 10,084,688
COPS Capital Outlay Fund (not reported on CCFS-311, see page 47)	206,950
Associated Student Body Enterprises (not reported on CCFS-311, see page 47)	<u>1,775,618</u>
 Total ending fund balances	 <u><u>\$ 47,268,457</u></u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Total Ending Fund Balance \$ 47,268,457

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. Capital assets, net of accumulated depreciation are added to total net assets. Capital assets of \$362,231 are already reported in the Associated Student Body Enterprise Fund. 80,072,166

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 of \$66,573 are already report in the Associated Student Body Enterprise Fund. (3,047,364)

Long-term liabilities, including bond, certificates of participation, and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities are added to the statement of net assets which reduces the total net assets reported (72,359,482)

Interest expense related to bonds incurred through June 30, 2005 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 277,598

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 (2,108,488)

Estimated claims liability for self-insured risk of loss is not accrued in governmental funds. (1,311,024)

Amounts for 2004-05 property taxes levied for debt service not received as of June 30, 2005 198,030

Total net assets \$ 48,434,697

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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 and is prepared using the 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 to the readers with a fiscal snapshot of the District. 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.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

Cash and cash equivalents (current and restricted) and Investments – certain reclassifications, from investments to cash and cash equivalents, have been made to the 2005 presentation to more accurately reflect the liquidity of these assets. Further discussion of changes in cash and investment balances is located in the section labeled "Statement of Cash Flows" beginning on page xii.

Receivables – The balance for receivables increased due primarily to increases related to state apportionment aid and capital outlay matching funds from the state.

Capital assets, net of depreciation – The increase from \$50.8 million to \$80.4 million is primarily attributable to the District's Facilities Construction & Improvement Program, which is financed through general obligating bonds. Specifically, \$22.3 million of construction in progress added to the capital assets balance. Please see Note 5, on page 20, for more details.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Accounts Payable, accrued liabilities and compensated absences – The 2005 balance includes approximately \$1.3 million in faculty load banking liabilities not reported in 2004, and approximately \$1.7 million in compensated absences reported in long-term liabilities in 2004. Therefore the 137% liability increase, shown on page vii, is primarily due to a change in the application at GASB 16 and in presentation, rather than a true increase in liabilities.

Estimated claims liability - This is for worker's compensation claims. On July 1, 2003, the District shifted from a self-insurance system to participation in a JPA. As a result, there is an estimated \$1.3 million of outstanding "run-off" claims from the pre-July 1, 2003 self-insurance system, which is shown on page vii. As these claims are settled, this non-current liability will diminish.

Net Assets – As indicated on page ii, net assets increased from \$30.0 million to \$48.4 million. Further discussion of changes in Net Assets is located in the section labeled "Statement of Revenues, Expenses and Changes in Net Assets" beginning on page viii.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

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

	(in thousands) <u>2005</u>	(in thousands) <u>2004</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 31,423	\$ 4,174	653%
Investments	10,085	56,747	-82%
Receivables	12,012	7,483	61%
Due from fiduciary fund and Foundation	124	-	100%
Inventories	962	1,047	-8%
Prepaid expenses	18	4	350%
Total current assets	<u>54,624</u>	<u>69,455</u>	-21%
Non-current assets			
Restricted cash and cash equivalents	2,774	-	100%
Capital assets, net of depreciation	80,434	50,830	58%
Total non-current assets	<u>83,208</u>	<u>50,830</u>	64%
TOTAL ASSETS	<u>137,832</u>	<u>120,285</u>	15%
LIABILITIES			
Current liabilities			
Accounts payable, accrued liabilities and compensated absences	10,892	4,604	137%
Deferred revenue	2,681	3,046	-12%
Amounts held in trust for others	46	2,618	-98%
Long-term liabilities - current portion	1,970	3,975	-50%
Total current liabilities	<u>15,589</u>	<u>14,243</u>	9%
Non-current liabilities			
Estimated claims liability	1,311	-	100%
Long-term liabilities less current portion	72,497	75,988	-5%
Total non-current liabilities	<u>73,808</u>	<u>75,988</u>	-3%
TOTAL LIABILITIES	<u>89,397</u>	<u>90,231</u>	-1%
NET ASSETS			
Invested in capital assets, net of related debt	27,851	10,283	171%
Restricted	18,737	20,123	-7%
Unrestricted	1,847	(352)	-625%
TOTAL NET ASSETS	<u>\$ 48,435</u>	<u>\$ 30,054</u>	61%

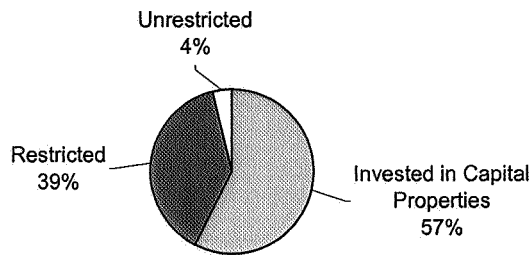
This schedule has been prepared from the Statement of Net Assets presented on page 1.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

**Net Assets
June 30, 2005**



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

Statement of Revenues, Expenses and Changes in Net Assets

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

Generally, operating revenues are earned for providing educational, consulting, 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 because they are provided by the legislature to the District without the legislature directly receiving services for those revenues.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Operating expenses – The Statement of Revenues, Expenses and Changes in Net Assets, on page x, shows some significant variances. Some of these variances are not caused by changes in District operations; they are caused by changes in the classification of expenditures. Approximately \$9 million in 2004 expenditures have been restated in 2005 to reflect appropriate capitalization of fixed assets. The remaining difference can be attributed primarily to an increase in capital outlay expenditures that meet capitalization requirements and are therefore reflected as capital assets rather than operating expenses.

State apportionments, non-capital and local property tax – The amount of State apportionment revenue is based on the Program Based Funding Model, which uses workload measures of full-time equivalent students and other workload measures, reported to the state by the District. Local property taxes, enrollment fees, and state apportionment are the funding sources, which are used to meet the total funding entitlement determined by the Program Based Funding Model. Therefore, decreases in property taxes were offset by increases in state apportionment. The net increase in non-operating revenue from \$72.2 million to \$77.3 million is attributed primarily to apportionment increases from cost of living adjustments, enrollment growth, and equalization funding.

The operating revenues for the District are specifically defined as revenues from users of the District's facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding – the State apportionment process. These components include the State apportionment and local property taxes. As these sources of revenue are from the general population of the State of California, and not from the direct users of the education services, they are considered to be non-operating. As a result, the operating loss of \$75.6 million is counter-balanced by \$77.3 of net non-operating revenues and \$9 million of other revenues. The net result is a \$10.6 million increase in net assets, which were \$48.4 million on June 30, 2005. When revenues from all sources are compared to aggregated expenditures, net assets increased by \$10.6 million, during 2004-05.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

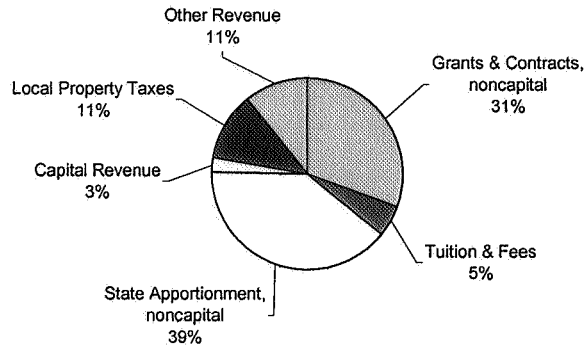
A summarized comparison of the Statement of Revenues, Expense and Changes in Net Assets is presented below:

	(in thousands) <u>2005</u>	(in thousands) <u>2004</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 7,632	\$ 6,775	13%
Grants and contracts, non-capital	45,399	46,430	-2%
Auxiliary sales and charges	6,496	6,638	-2%
Total operating revenues	<u>59,527</u>	<u>59,843</u>	-1%
Operating Expenses			
Salaries and benefits	89,904	92,007	-2%
Supplies, materials and other operating expenses and services including financial aid payments to students	42,706	63,921	-33%
Depreciation	2,555	2,311	11%
Total operating expenses	<u>135,165</u>	<u>158,239</u>	-15%
Operating loss	<u>(75,638)</u>	<u>(98,396)</u>	-23%
Non-operating revenues (expenses)			
State apportionments, non-capital	58,311	39,448	48%
Local property taxes	16,916	29,926	-43%
State taxes and other revenues	3,261	3,212	2%
Investment income, net	1,048	765	37%
Interest expense	(2,357)	(2,391)	-1%
Transfer from fiduciary	130	1,216	-89%
Total non-operating revenues (expenses)	<u>77,309</u>	<u>72,176</u>	7%
Other revenues, expenses, gains or losses			
State apportionments, capital	3,875	1,061	265%
Local property taxes and revenues, capital	4,574	3,630	26%
Investment income, capital	517	-	100%
Total other revenues, expenses, gains or losses	<u>8,966</u>	<u>4,691</u>	91%
Change in net assets	<u>10,637</u>	<u>(21,529)</u>	-149%
Net assets, beginning of year as previously reported	30,054	51,583	-42%
Adjustment for restatement (see note 17)	7,744	-	100%
Net assets, beginning of year as restated	<u>37,798</u>	<u>51,583</u>	-27%
Net assets, end of year	<u>\$ 48,435</u>	<u>\$ 30,054</u>	61%

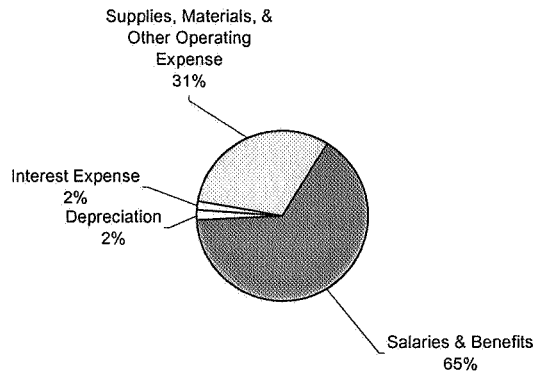
This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Assets presented on page 2.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Revenue 2004/05



Expenses 2004/05



LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also 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 five parts. 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 acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

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, the district always maintains a positive cash position.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Non-capital financing activities – These cash sources include state apportionment, local property taxes, and grants. As indicated on page ix, state apportionment and local property taxes increased due to increase in the cost-of-living-adjustment, enrollment growth and equalization funding.

Capital and related financing – The increased use is attributable to increases in capital assets as described in the following section entitled “Capital Assets and Debt Administration.

Investing activities – In 2004 the District invested unused Certificate of Participation funds. In 2005 more of those funds had been expended, so there was substantially less available to invest. This resulted in a decline in investment activity. Additional information on the District's investments can be found in the notes to the financial statements beginning on page 18.

Restatement to cash balance – Prior year amounts have been restated to reflect corrections identified through the reconciliation of the Cash in County account and to include cash balances held in the retiree benefits fund, previously reported as a fiduciary fund. See Note 17 to the financial statements beginning on page 32 for more details.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

A summarized comparison of statement of Cash Flows is present below:

	(in thousands) <u>2005</u>	(in thousands) <u>2004</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (73,792)	\$ (93,090)	21%
Non-capital financing activities	81,628	69,587	-17%
Capital and related financing activities	(25,070)	(5,933)	-323%
Investing activities	<u>1,523</u>	<u>17,861</u>	91%
Net decrease in cash and cash equivalents	(15,711)	(11,575)	-36%
Cash balance, beginning of year	50,336	61,911	19%
Restatement to cash balance	<u>(428)</u>	<u>-</u>	100%
Cash balance, end of year	<u>\$ 34,197</u>	<u>\$ 50,336</u>	32%

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

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005, the District had \$80.4 million in a broad range of capital assets including land, buildings, and furniture and equipment. During the year, the District also continued to modernize and refurbish various sites within the District.

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

	Balance <u>June 30, 2005</u>	Balance <u>6/30/2004*</u>	<u>Change</u>
Land	\$ 10,728	\$ 10,728	0%
Site and Site Improvements	70,339	68,085	3%
Equipment	9,677	9,088	6%
Construction in Process	<u>25,533</u>	<u>5,349</u>	377%
Totals at historical cost	<u>116,277</u>	<u>93,250</u>	25%
Less accumulated depreciation for:			
Site and Site Improvements	27,311	25,175	8%
Equipment	<u>8,532</u>	<u>8,113</u>	5%
Total accumulated depreciation	<u>35,843</u>	<u>33,288</u>	8%
Governmental capital assets, net	<u>\$ 80,434</u>	<u>\$ 59,962</u>	34%

*The June 30, 2004 balance has been revised to reflect restatements as described in Note 5 to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Long-term Debt

At the end of this year, the District had \$74.1 million in long-term debt. During the 2004-05 fiscal year, long-term debt declined by \$4.1 million.

Notes 7 through 10 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	Balance June 30, 2005	Balance June 30, 2004	Change
Capital leases	\$ 2,259	\$ 2,672	-15%
Certificates of participation	34,300	34,300	0%
General obligation bonds	35,800	38,500	-7%
Other postemployment	2,108	2,719	-22%
	<u>\$ 74,467</u>	<u>\$ 78,191</u>	-5%

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 State of California as State apportionments, other State revenue, and property taxes allocated to the District represent approximately 90 percent of the unrestricted resources in the District's Unrestricted General Fund. The funding formula for 2005-06 has not been finalized, so there is significant uncertainty about future available resources. Nonetheless, the District remains cautiously optimistic that COLA, growth and equalization will be funded. Any reductions in appropriations from the State funding formula will have a direct impact on the financial condition and ongoing operations of the District. The slow-down in the State economy plays a major factor in the State appropriations for higher education. Student tuition may be increasing for the 2005-2006 fiscal year. However, due to the provisions of the funding formula, the District will retain only two percent of this increase.

Another significant factor affecting the District's financial future is the trend of enrollment at the two campuses and the distance education program. In 2004-05 the District experienced enrollment growth at a rate approximately half of the amount anticipated. This is attributable to the cumulative 136% enrollment fee increases that occurred at all public community colleges throughout California during the past few years. The District's 2004-05 growth rate is better than the aggregate enrollment change of all California public community colleges, where enrollment declined 1.33%.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Student enrollment is projected to increase two percent annually in upcoming years. Accurate predictions about future enrollment are difficult to make because various external factors, such as employment options for students, the availability of financial aid and scholarships, and CSU and UC admissions policies. The high quality instructional programs offered by the District and our new facilities are expected to attract eligible students. Additionally, the District has implemented an aggressive marketing program to attract more students, and an enrollment management plan has been implemented to increase course offerings in areas where there is unmet student demand.

Medical benefit insurance costs for retired employees are continuing an upward trend. Management is closely monitoring this trend and has shifted from a "pay-as-you-go" system to a system where an actuarially determined amount is set aside in the Retiree Health Fund. As of June 30, 2005, the Retiree Health Fund had a balance of \$1.3 million. The college is planning to enter into an investment consortium, with professional portfolio managers, to assist us in maximizing our investment return on dollars in the Retiree Health Fund, while minimizing investment risk.

Ongoing construction projects for the new Child Development Center, Industrial Technology Facility, and Learning Resource Center at the Pacific Coast Campus and the South Quad Complex and Warehouse Facility at the Liberal Arts Campus will continue for the next several years. Funding for these projects will be from our general obligation bond and State sources. When the projects are completed, costs will be capitalized and net assets will increase. There will be additional costs for the operation and maintenance of those new facilities.

The District has settled the financial component of the contract with the full-time faculty bargaining unit for 2004-05 and 2005-06. For the classified staff bargaining unit negotiations are complete for 2004-05, and negotiations are currently underway for 2005-06. The estimated 2006 cost the negotiated salary and benefit changes is \$1.8 million.

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 Duane Lowe, Director of Fiscal Operations, 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.

BASIC FINANCIAL STATEMENTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 31,422,935
Investments	10,084,688
Accounts receivable, net	12,011,733
Due from Foundation	35,702
Due from fiduciary fund	88,362
Stores inventory	961,488
Prepaid expenses	18,256
Total Current Assets	<u>54,623,164</u>

Non-current Assets:

Restricted cash	2,774,134
Capital assets, net of accumulated depreciation	80,434,397
Total Non-current Assets	<u>83,208,531</u>

TOTAL ASSETS

\$ 137,831,695

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 5,194,832
Accrued liabilities	2,582,739
Deferred revenue	2,680,827
Compensated absences	3,113,937
Amounts held in trust for others	45,669
Capital leases - current portion	433,435
General obligation bonds payable - current portion	950,000
Supplemental employee retirement plan - current portion	586,982
Total Current Liabilities	<u>15,588,421</u>

Non-current Liabilities:

Estimated claims liability	1,311,024
Capital leases	1,826,047
Certificates of Participation	34,300,000
General obligation bonds payable	34,850,000
Supplemental employee retirement plan	1,521,506
Total Non-current Liabilities	<u>73,808,577</u>

TOTAL LIABILITIES

89,396,998

NET ASSETS

Invested in capital assets, net of related debt	27,851,004
Restricted for:	
Capital projects	3,289,201
Debt service	13,747,241
Scholarships & loans	121,523
Other special services	1,578,833
Unrestricted	1,846,895
TOTAL NET ASSETS	<u>48,434,697</u>

TOTAL NET ASSETS

48,434,697

TOTAL LIABILITIES AND NET ASSETS

\$ 137,831,695

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, 2005**

OPERATING REVENUES	
Tuition and fees (gross)	\$ 13,891,118
Less: Scholarship discounts and allowances	<u>(6,258,649)</u>
Net tuition and fees	7,632,469
Grants and contracts, non-capital:	
Federal	22,759,858
State	15,924,142
Local	6,714,756
Auxiliary enterprise sales and charges	<u>6,495,692</u>
TOTAL OPERATING REVENUES	<u>59,526,917</u>
OPERATING EXPENSES	
Salaries	67,904,687
Employee benefits	21,999,097
Supplies, materials, and other operating expenses and services	16,958,178
Financial aid	23,441,106
Utilities	2,306,677
Depreciation	<u>2,555,587</u>
TOTAL OPERATING EXPENSES	<u>135,165,332</u>
OPERATING LOSS	<u>(75,638,415)</u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, non-capital	58,310,952
Local property taxes	16,915,819
State taxes and other revenues	3,261,491
Investment income - non-capital	1,047,932
Interest expense on capital asset-related debt	(2,356,833)
Transfer from fiduciary fund	<u>130,000</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>77,309,361</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS (LOSSES)	<u>1,670,946</u>
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	
State apportionments, capital	3,874,791
Local property taxes and revenues, capital	4,574,275
Investment income - capital	<u>516,422</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS (LOSSES)	<u>8,965,488</u>
INCREASE IN NET ASSETS	<u>10,636,434</u>
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	30,053,819
Adjustment for restatement (see note 17)	<u>7,744,444</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>37,798,263</u>
NET ASSETS, END OF YEAR	<u>\$ 48,434,697</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, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees (net)	\$ 7,946,108
Federal grants and contracts	21,698,782
State grants and contracts	15,415,284
Local grants and contracts	6,625,543
Enterprise sales and charges	6,420,974
Payments to suppliers	(19,451,962)
Payments to/on behalf of employees	(88,996,843)
Payments to/on behalf of students	(23,495,192)
Amounts received in trust	45,669
Net cash used by operating activities	<u>(73,791,637)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	57,180,652
Property taxes	21,292,064
State tax and other revenues (payments)	3,025,526
Fiduciary fund transfers	130,000
Net cash provided by non-capital financing activities	<u>81,628,242</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and gifts received	2,189,558
Purchases of capital assets	(23,027,287)
Principal paid on capital debt	(3,873,584)
Interest paid on capital debt	(1,194,499)
Interest on capital investments	835,209
Net cash used by capital and related financing activities	<u>(25,070,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	609,375
Net sales of investments	913,322
Net cash provided by investing activities	<u>1,522,697</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,711,301)
CASH BALANCE, Beginning of Year	<u>49,908,370</u>
CASH BALANCE - End of Year	<u>\$ 34,197,069</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, 2005**

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

Operating loss	\$ (75,638,415)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	2,555,587
Changes in assets and liabilities:	
Receivables, net	(1,425,814)
Due from Foundation	(8,684)
Due from fiduciary fund	(88,362)
Inventory	85,629
Prepaid expenses	(13,893)
Accounts payable and accrued liabilities	295,292
Deferred revenue	(265,307)
Compensated absences	(33,835)
Amounts held in trust for others	45,669
Estimated claims liability	1,311,024
Supplemental employee retirement plan	<u>(610,528)</u>
 Net cash used by operating activities:	 <u>\$ (73,791,637)</u>
 Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 31,422,935
Restricted cash and cash equivalents	<u>2,774,134</u>
Total	<u>\$ 34,197,069</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	Associated Student Body Fund
ASSETS	
Cash and cash equivalents	\$ 1,982,526
TOTAL ASSETS	<u>\$ 1,982,526</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 1,076
Due to governmental funds	88,362
Deferred revenue	212,418
Amounts held in trust	<u>306,543</u>
TOTAL LIABILITIES	<u>608,399</u>
NET ASSETS	
Unrestricted	<u>1,374,127</u>
TOTAL NET ASSETS	<u>1,374,127</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,982,526</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, 2005

	Associated Student Body Fund
ADDITIONS	
Student representation fee	\$ 822,946
Other local sources	104,814
Interest and investment income	<u>10,277</u>
TOTAL ADDITIONS	<u>938,037</u>
DEDUCTIONS	
Services and other operating expenses	977,356
Transfer to District	<u>130,000</u>
TOTAL DEDUCTIONS	<u>1,107,356</u>
Decrease in Net Assets	<u>(169,319)</u>
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	1,572,194
Adjustment for restatement (see Note 17)	<u>(28,748)</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>1,543,446</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,374,127</u></u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

A. REPORTING ENTITY: (continued)

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

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

Long Beach City College Associated Student Body Enterprises – The Enterprise 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 Enterprise. The activity of the Enterprise has also been reported in the supplementary section of the report in the proprietary fund statements. Individually prepared financial statements are not prepared for the Long Beach City College Associated Student Body Enterprises.

Long Beach Community College Financing Authority Corporation – The Long Beach Community College Financing Authority 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. Within the supplementary information section of the report, the financial activity has either been "blended" with the activity of the District's in the COPS Debt Service Fund or has been reported as the COPS Capital Projects Fund as appropriate. 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, 2005

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. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the basic financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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, its Fiduciary Funds and its component units.

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, 2005

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

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. 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.

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. Accounts receivable are recorded net of estimated uncollectible amounts. 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. Due from Foundation and Fiduciary Fund

Due from Foundation and fiduciary fund consists primarily of reimbursements for expenses paid by the District on behalf of the Foundation or fiduciary.

4. Stores Inventory

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 Enterprise Fund.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING: (continued)

5. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 services are consumed. Prepaid expenses consist primarily of prepaid software maintenance agreements.

6. 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.

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.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

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

8. Accounts Payable

Accounts payable consists of amounts due to vendors and accrued interest payable of \$277,958 on bonded debt.

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.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING: (continued)

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.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING: (continued)

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 2006 will be recorded in the year computed by the State.

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 revenue limit purposes. Property taxes for debt service purposes have been accrued in the basic financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING: (continued)

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 \$713,700 for STRS.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

C. BASIS OF ACCOUNTING: (continued)

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.

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. Reclassifications

Certain amounts related to cash and cash equivalents and investments have been reclassified from the previous year's presentation to more accurately reflect the liquidity of the assets.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 does have a deposit policy for custodial risk. As of June 30, 2005, \$4,480,559 of the District's bank balance of \$5,080,559 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$3,726,628
Uninsured and uncollateralized	<u>753,931</u>
Total	<u>\$4,480,559</u>

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, 2005, as provided by the pool sponsor, was \$31,804,585. 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 \$660,997 on June 30, 2005, which represents withholdings payable.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 2004-05 fiscal year.

Investments with fiscal agent at June 30, 2005 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)	10/1/31	\$10,084,688

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2005 consists of the following:

	<u>Governmental Funds</u>
Federal and State	\$10,862,793
Miscellaneous	<u>1,148,940</u>
	<u>\$12,011,733</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, 2005

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2005:

	Balance June 30,2004*	Additions	Retirements	Balance June 30,2005
Land	\$ 10,728,381	\$	\$	\$ 10,728,381
Site and site improvements	68,085,210	2,254,337		70,339,547
Equipment	9,087,781	589,124		9,676,905
Construction in progress	5,349,177	22,287,554	(2,103,728)	25,533,003
Total cost	<u>93,250,549</u>	<u>25,131,015</u>	<u>(2,103,728)</u>	<u>116,277,836</u>
Less accumulated depreciation for:				
Site and site improvements	25,174,716	2,136,439		27,311,155
Equipment	8,113,136	419,148		8,532,284
Total accumulated depreciation	<u>33,287,852</u>	<u>2,555,587</u>	<u>-</u>	<u>35,843,439</u>
Governmental capital assets, net	<u>\$ 59,962,697</u>	<u>\$ 22,575,428</u>	<u>\$ (2,103,728)</u>	<u>\$ 80,434,397</u>

*The beginning balance was revised to reflect the restatement of capital asset balances for \$9,132,784 (see Note 17) and to correct prior year equipment cost reported net of accumulated depreciation.

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

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2004. The notes included interest at a rate of 3.5% and matured on June 30, 2005. The notes were sold to meet the cash needs of the District until the initial distribution of tax receipts were deposited.

Repayment requirements were that \$2,500,000 be deposited with the County Treasurer in January 2005, and \$2,500,000 plus interest of approximately \$174,500 be deposited in April 2005. All deposits were made as required and were therefore defeased as of June 30, 2005.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 7 - 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:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 432,435	\$ 103,880	\$ 536,315
2007	455,067	81,248	536,315
2008	477,778	58,537	536,315
2009	501,623	34,692	536,315
2010	392,579	9,657	402,236
Total	<u>\$ 2,259,482</u>	<u>\$ 288,014</u>	<u>\$ 2,547,496</u>

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

B. Operating Leases

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

<u>Fiscal Year</u>	<u>Lease Payment</u>
2005-06	\$ 199,533
2006-07	127,231
2007-08	127,231
2008-09	<u>114,022</u>
	<u>\$ 568,017</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 8 - CERTIFICATES OF PARTICIPATION:

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

The Corporation's funds for acquiring these items were generated by the issuance of \$34,300,000 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%.

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 approximately 3.9% which was based on the current Dutch Auction rate.

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$	\$ 1,333,889	\$ 1,333,889
2007	425,000	1,321,493	1,746,493
2008	450,000	1,304,236	1,754,236
2009	500,000	1,285,278	1,785,278
2010	525,000	1,265,104	1,790,104
2011-2015	3,375,000	5,958,507	9,333,507
2016-2020	4,975,000	5,141,840	10,116,840
2021-2025	7,325,000	3,936,771	11,261,771
2026-2030	10,925,000	2,151,771	13,076,771
2031-2032	5,800,000	175,000	5,975,000
Total	<u>\$ 34,300,000</u>	<u>\$ 23,873,889</u>	<u>\$ 58,173,889</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 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.

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

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
4/30/03	2.5-5.0%	8/1/2027	\$ 40,000,000	\$ 38,500,000	\$ 0	\$ 2,700,000	\$ 35,800,000

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 950,000	\$ 1,665,587	\$ 2,615,587
2007	970,000	1,641,838	2,611,838
2008	1,010,000	1,603,037	2,613,037
2009	1,050,000	1,562,638	2,612,638
2010	1,095,000	1,520,637	2,615,637
2011-2015	6,170,000	6,893,088	13,063,088
2016-2020	7,665,000	5,402,300	13,067,300
2021-2025	9,775,000	3,292,750	13,067,750
2026-2028	<u>7,115,000</u>	<u>723,250</u>	<u>7,838,250</u>
Total	<u>\$ 35,800,000</u>	<u>\$ 24,305,125</u>	<u>\$ 60,105,125</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 10 - OTHER ACCOUNTING DISCLOSURES:

A schedule of changes in long-term debt for the year ended June 30, 2005 is shown below:

	<u>Balance</u> <u>June 30,2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,2005</u>	<u>Due in</u> <u>One Year</u>
Capital leases	\$ 2,672,313	\$	\$ 412,831	\$ 2,259,482	\$ 433,435
Certificate of Participation	34,300,000			34,300,000	
General obligation bonds	38,500,000		2,700,000	35,800,000	950,000
Supplemental employee retirement plan	<u>2,719,016</u>	<u>150,225</u>	<u>760,753</u>	<u>2,108,488</u>	<u>586,982</u>
Totals	<u>\$ 78,191,329</u>	<u>\$ 150,225</u>	<u>\$ 3,873,584</u>	<u>\$ 74,467,970</u>	<u>\$ 1,970,417</u>

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 \$25,000 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 2004-05 totaled \$26,732.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 11 – INTERNAL SERVICE ACTIVITY: (continued)

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 2004-05 totaled \$424,236.

Claims Liability

At June 30, 2005, 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 \$1,311,024.

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, 2005

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).

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 2004-05 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, 2005

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 9.952% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

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

Year Ended June 30,	STRS		PERS	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2003	\$3,030,433	100%	\$ 926,290	100%
2004	3,012,891	100%	2,311,991	100%
2005	2,919,339	100%	2,234,240	100%

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 contributes 0% of an 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 \$454,195 during the fiscal year. The total amount of covered compensation was \$6,055,927. Contributions made by the employee vest immediately.

NOTE 13 – RETIREE HEALTH AND WELFARE BENEFITS:

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 fifteen/twelve 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 13 – RETIREE HEALTH AND WELFARE BENEFITS: (continued)

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.

Benefits are paid by the Retiree Health Fund using a pay-as-you-go basis, and is funded by interfund transfers from the Unrestricted General Fund. At June 30, 2005, there were 132 retirees participating in the plan. The amount paid for benefits under Option A and Option B during the fiscal year ended June 30, 2005 was \$1,655,606. The estimated cost for 2005-06 is \$1,800,000.

NOTE 14 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

The District has two Supplemental Employee Retirement Plans for faculty and management/confidential employees. The accumulated future liability for the District at June 30, 2005 is \$2,108,488

2002-03 Supplemental Employee Retirement Plan:

In 2002-03, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty.

A total of 13 faculty employees are participating. The District will pay benefits of \$173,771 annually over five years totaling \$868,885. The first payment was made during 2002-03. The total remaining liability of \$347,542 has been reflected in these financial statements.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 14 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN: (continued)

2007-2008. The total remaining liability of \$1,760,946 has been reflected in these financial statements.

NOTE 15 - JOINT VENTURES (JOINT POWERS AGREEMENTS):

The District participates in four joint Powers Agreements (JPA) entities, the Schools Excess Liability Fund (SELF), 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.

SELF arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's Board of Directors and shares surpluses and deficits proportionately to its participation in SELF.

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 2004-05, the District refunded \$203,498 from local revenue to the Authority for corrections in tax calculations.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

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

	SELF 6/30/2005 <u>(Unaudited)</u>	SWACC 6/30/2005 <u>(Unaudited)</u>	PIPS 6/30/2005 <u>(Audited)</u>
Total assets	\$180,614,745	\$ 28,208,879	\$ 18,814,993
Total liabilities	<u>174,685,047</u>	<u>17,248,919</u>	<u>18,422,226</u>
Net assets	<u>\$ 5,929,698</u>	<u>\$ 10,959,960</u>	<u>\$ 392,767</u>
Total revenues	\$ 42,044,244	\$ 9,373,188	\$175,489,825
Total expenditures	<u>61,979,691</u>	<u>4,837,422</u>	<u>175,146,863</u>
Change in net assets	<u>\$ (19,935,447)</u>	<u>\$ 4,535,766</u>	<u>\$ 342,962</u>

NOTE 16 – FUNCTIONAL EXPENSES:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional	\$ 35,857,781	\$ 10,528,356	\$ 1,798,590	\$	\$	\$ 48,184,727
Academic Support	4,948,051	1,527,137	350,863			6,826,051
Student Services	9,607,966	2,964,026	948,252			13,520,244
Operation & Maintenance of Plant	3,895,950	1,201,888	1,935,845			7,033,683
Institutional Support	8,492,470	2,490,530	5,652,220			16,635,220
Community Services and Economic Development	2,297,661	708,821	574,312			3,580,794
Ancillary Services and Auxiliary Operations	2,804,808	922,733	7,632,009			11,359,550
Student Aid			594	23,441,106		23,441,700
Other Outgo		1,655,606	372,170			2,027,776
Depreciation Expense					2,555,587	2,555,587
Total	<u>\$ 67,904,687</u>	<u>\$ 21,999,097</u>	<u>\$ 19,264,855</u>	<u>\$ 23,441,106</u>	<u>\$ 2,555,587</u>	<u>\$ 135,165,332</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 17 – RESTATEMENT TO BEGINNING NET ASSET:

Government-wide:

Beginning net assets were restated for a net increase of \$7,744,444 to reflect the following:

Net assets at beginning of year, as previously reported	\$ 30,053,819
Retiree Benefit Fund, previously reported as a fiduciary fund	1,045,446
Load Banking liability, previously excluded	(1,375,930)
Adjustments to fixed assets, net of depreciation	9,132,784
General Fund (Unrestricted) restatement-see below	(1,471,240)
COPS Capital Outlay Fund restatement-see subsequent page	(10,140,631)
COPS Debt Service Fund restatement-see subsequent page	<u>10,554,015</u>
Net assets at beginning of year, as restated	<u>\$ 37,798,263</u>

Governmental Funds:

General Fund (Unrestricted)

Beginning net assets were restated for a net decrease of \$1,471,240 to reflect the following:

Net assets at beginning of year, as previously reported	\$ 1,605,066
Payroll expenses identified through reconciliation of the Cash in County account	<u>(1,471,240)</u>
Net assets at beginning of year, as restated	<u>\$ 133,826</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 17 – RESTATEMENT TO BEGINNING NET ASSET: (continued)

COPS Debt Service Fund

Beginning net assets were restated for a net increase of \$10,554,015 to reflect the following:

Net assets at beginning of year, as previously reported	\$ 2,147,158
Transfer portion of COPS Capital Project Fund beginning balance to properly reflect trustee accounts	<u>10,554,015</u>
Net assets at beginning of year, as restated	<u>\$ 12,701,173</u>

COPS Capital Outlay Fund

Beginning net assets were restated for a net decrease of \$10,140,631 to reflected the following:

Net assets at beginning of year, as previously reported	\$ 10,584,626
Account correction made by Trustee	413,384
Transfer portion of beginning balance to COPS Debt Service Fund to properly reflect trustee accounts	<u>(10,554,015)</u>
Net assets at beginning of year, as restated	<u>\$ 443,995</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 17 – RESTATEMENT TO BEGINNING NET ASSET: (continued)

Fiduciary Fund:

Associated Students Government Fund

Beginning net assets were restated for a net decrease of \$28,748 to reflected the following:

Net assets at beginning of year, as previously reported	\$ 1,572,194
Amounts held in trust for others, previously reported in fund balance	(267,357)
Amounts held in trust for scholarships, previously reported in fund balance	(29,391)
Student Service Card sales received in 2004-05 for sales prior to 2003-04	143,000
Student Service Card sales received in 2004-05 for 2003-04 sales	<u>125,000</u>
Net assets at beginning of year, as restated	\$ <u>1,543,446</u>

NOTE 18 – DEFICIT FUND BALANCE:

The Stadium Fund ended the 2004-05 fiscal year with a deficit fund balance of \$20,033. Revenues for the fund are derived from the rental of Veterans Stadium to various groups. Due to unavoidable renovation delays, facility rentals were impacted which resulted in a revenue short-fall. The District's management has projected an operating gain for the fund in 2005-06 sufficient to cover the deficit balance.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 19 - 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, 2005, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$18,500,000. Projects will be funded through bond proceeds.

C. Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business, the outcome of which is not known at the present 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, 2005

NOTE 20 - 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 would be effective for phase one GASB Statement No. 34 implementers in fiscal year 2007-08. 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(s) 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.

B. General Obligation Bonds

On November 29, 2005 the District offered for sale \$65,000,000 in general obligation bonds and \$28,224,989 in general obligation refunding bonds. The bonds are issued in order to refund certain outstanding general obligation bonds of the District, authorized by an election conducted within the District during March 2002 pursuant to provisions of Proposition 39 Measure E, and to fund certain capital improvements of the District.

SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2005

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 Art 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>
Dr. Thomas J. Clark	President	April 2006
Ms. Dianne McNinch	Vice President	April 2006
Mr. Jeffrey A. Kellogg	Member	April 2006
Mr. Roberto Uranga	Member	April 2008
Mr. Douglas Otto	Member	April 2008
Ms. June Brignac	Student Trustee	May 2006

ADMINISTRATION

Dr. E. Jan Kehoe	President and District Superintendent
Mr. Eloy Oakley	Executive Vice President/Assistant Superintendent, Administrative Services
Mr. Don Berz	Interim Vice President/Assistant Superintendent, Academic Affairs
Dr. Pauline Merry	Interim Vice President/Assistant Superintendent, Student Support Services
Ms. Lou Anne Bynum	Vice President/Assistant Superintendent, Economic and Resource Development

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	General Funds		Special Revenue Fund		Debt Service Funds		Capital Project Funds		Total (Memorandum Only)
	General Unrestricted	General Restricted	Child and Adult Development	Bond Interest and Redemption	COPS Debt Service	Capital Outlay Projects	Revenue Bond Construction	COPS Capital Projects	
ASSETS									
Cash in county treasury	\$ 1,822,363	\$ 1,496,165	\$ 25,292	\$ 1,108,452	\$ 2,575,958	\$ 2,295,258	\$ 21,258,855	\$ 206,950	\$ 30,582,343
Cash on hand and in banks	1,090,240								1,090,240
Cash with trustee					10,084,688				10,084,688
Investments					57,711				57,711
Accounts receivable:									
Federal and State	6,296,748	1,921,032				2,416,832			10,634,612
Miscellaneous	583,581		3,957			20,023	201,733		809,294
Prepaid expenses	725,481	13,906							13,906
Due from other funds	46,305	75							725,556
Due from fiduciary funds	35,702	42,057							88,362
Due from Foundation									35,702
TOTAL ASSETS	\$ 10,600,420	\$ 3,473,235	\$ 29,249	\$ 1,108,452	\$ 12,718,357	\$ 4,732,113	\$ 21,460,588	\$ 206,950	\$ 54,329,364
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable & accrued liabilities	\$ 3,371,676	\$ 540,447	\$ 4,278	\$ -	\$ -	\$ 906,597	\$ 1,890,449	\$ -	\$ 6,713,447
Amounts held in trust for others	45,669								45,669
Due to other funds	944,594	26,119				536,315			1,507,028
Deferred revenue	1,317,405	1,327,836							2,645,241
TOTAL LIABILITIES	5,679,344	1,894,402	4,278	-	-	1,442,912	1,890,449	-	10,911,385
FUND BALANCES									
Restricted for special purposes	50,000	1,564,927		1,108,452					2,723,379
Designated for special purposes	4,538,855	13,906							4,552,761
Undesignated	332,221		24,971		12,718,357	3,289,201	19,570,139	206,950	36,141,839
TOTAL FUND BALANCES	4,921,076	1,578,833	24,971	1,108,452	12,718,357	3,289,201	19,570,139	206,950	43,417,979
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,600,420	\$ 3,473,235	\$ 29,249	\$ 1,108,452	\$ 12,718,357	\$ 4,732,113	\$ 21,460,588	\$ 206,950	\$ 54,329,364

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	General Funds		Special Revenue Fund		Debt Service Funds			Capital Project Funds			Total (Memorandum Only)
	General Unrestricted	General Restricted	Child and Adult Development		Bond Interest and Redemption	COPS Debt Service	Capital Outlay Projects	Revenue Bond Construction	COPS Capital Projects		
Revenues											
Revenue limit sources:											
State apportionment	\$ 58,310,952	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 58,310,952
Federal sources	109,715	3,225,022	12,800								3,347,537
Other state sources	7,300,192	7,827,290	91,088		53,829		4,379,692				19,652,091
Other local sources	26,181,585	2,305,427	260,503		4,574,275	688,201	73,279	683,792	192,902		34,959,964
Total Revenues	<u>91,902,444</u>	<u>13,357,739</u>	<u>364,391</u>		<u>4,628,104</u>	<u>688,201</u>	<u>4,452,971</u>	<u>683,792</u>	<u>192,902</u>		<u>116,270,544</u>
Expenditures											
Academic salaries	38,593,879	2,594,002	29,519								41,017,400
Classified Salaries	19,518,140	5,296,218	281,559								25,095,917
Employee benefits	18,303,455	1,996,323	91,679								20,391,457
Books and Supplies	1,130,662	790,497	40,877					31,184			1,993,220
Services and operating expenditures	7,331,143	1,085,699	12,291			8,006		6,569,845	5,382		15,518,260
Capital outlay	348,136	1,402,197	11,629				4,410,456	9,438,060			15,610,478
Student financial aid		516,328									516,328
Debt service					4,433,088	634,995					5,068,083
Total Expenditures	<u>85,025,415</u>	<u>13,681,264</u>	<u>467,554</u>		<u>4,433,088</u>	<u>643,001</u>	<u>4,916,350</u>	<u>16,039,089</u>	<u>5,382</u>		<u>125,211,143</u>
Excess (deficiency) of revenues over expenditures	<u>6,877,029</u>	<u>(323,525)</u>	<u>(103,163)</u>		<u>195,016</u>	<u>45,200</u>	<u>(463,379)</u>	<u>(15,355,297)</u>	<u>187,520</u>		<u>(8,940,599)</u>
Other Financing Sources (Uses)											
Interfund transfers in	828,223	1,333,469				6,232	452,580		28,015		2,648,519
Interfund transfers out	(2,918,002)	(730,800)	(50,000)			(34,248)	(1,700,000)		(452,580)		(5,885,650)
Total Other Financing Sources (Uses)	<u>(2,089,779)</u>	<u>602,669</u>	<u>(50,000)</u>		<u>-</u>	<u>(28,016)</u>	<u>(1,247,420)</u>	<u>-</u>	<u>(424,565)</u>		<u>(3,237,111)</u>
Net change in fund balances	<u>4,787,250</u>	<u>279,144</u>	<u>(153,163)</u>		<u>195,016</u>	<u>17,184</u>	<u>(1,710,799)</u>	<u>(15,355,297)</u>	<u>(237,045)</u>		<u>(12,177,710)</u>
Fund Balances at Beginning of Year, as previously reported	<u>1,605,066</u>	<u>1,299,689</u>	<u>178,134</u>		<u>913,436</u>	<u>2,147,158</u>	<u>5,000,000</u>	<u>34,925,436</u>	<u>10,584,626</u>		<u>56,653,545</u>
Adjustment for restatement (see Note 17)	<u>(1,471,240)</u>					<u>10,554,015</u>			<u>(10,140,631)</u>		<u>(1,057,856)</u>
Fund Balances at Beginning of Year, as restated	<u>133,826</u>	<u>1,299,689</u>	<u>178,134</u>		<u>913,436</u>	<u>12,701,173</u>	<u>5,000,000</u>	<u>34,925,436</u>	<u>443,995</u>		<u>55,595,689</u>
Fund Balance - End of Year	<u>\$ 4,921,076</u>	<u>\$ 1,578,833</u>	<u>\$ 24,971</u>		<u>\$ 1,108,452</u>	<u>\$ 12,718,357</u>	<u>\$ 3,289,201</u>	<u>\$ 19,570,139</u>	<u>\$ 206,950</u>		<u>\$ 43,417,979</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - PROPRIETARY FUNDS

June 30, 2005

	Enterprise Funds				Internal Service Fund
	Associated Student Body Enterprises	Contract / Community Education	Veteran's Stadium Operation	Total (Memorandum Only)	Self Insurance
<u>Assets</u>					
Cash in county treasury	\$ 1,070,200	\$ 495,227	\$ 50,940	\$ 546,167	\$ 134,567
Cash on hand and in banks				1,070,200	766
Accounts receivable:					
Miscellaneous	24,654	59,884	66,361	150,899	1,384
Due from other funds	81,326			81,326	
Inventories	961,488			961,488	
Prepaid expenditures	4,350			4,350	
Furniture and equipment, net	362,231			362,231	
Total Assets	<u>\$ 2,504,249</u>	<u>\$ 555,111</u>	<u>\$ 117,301</u>	<u>\$ 3,176,661</u>	<u>\$ 136,717</u>
<u>Liabilities and Net Assets</u>					
<u>Liabilities</u>					
Accounts payable & accrued liabilities	\$ 587,357	\$ 252	\$ 25,156	\$ 612,765	\$
Deferred revenue			3,220	3,220	
Due to other funds	74,701		108,958	183,659	
Compensated absences	66,573			66,573	
Total Liabilities	<u>728,631</u>	<u>252</u>	<u>137,334</u>	<u>866,217</u>	<u>-</u>
Net Assets	<u>1,775,618</u>	<u>554,859</u>	<u>(20,033)</u>	<u>2,310,444</u>	<u>136,717</u>
Total Liabilities and Net Assets	<u>\$ 2,504,249</u>	<u>\$ 555,111</u>	<u>\$ 117,301</u>	<u>\$ 3,176,661</u>	<u>\$ 136,717</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005

	Enterprise Funds				Total (Memorandum Only)	Internal Service Fund
	Associated Student Body Enterprises	Contract/ Community Education	Veteran's Stadium Operation			
Operating Revenues						
Sales revenues	\$ 6,495,692	\$	\$	\$ 6,495,692	\$	
Other operating revenues	116,016	262,004	885,028	1,263,048	44,526	
Total Operating Revenues	<u>6,611,708</u>	<u>262,004</u>	<u>885,028</u>	<u>7,758,740</u>	<u>44,526</u>	
Operating Expenditures						
Academic salaries		82,646		82,646		
Classified salaries	1,170,919		557,359	1,728,278	16,433	
Employee benefits	496,049	15,259	109,102	620,410	6,573	
Books and supplies	4,692,392	1,144	73,088	4,766,624	1,495	
Services and other operating expenditures	644,688	109,866	225,109	979,663	628,653	
Capital Outlay		1,650,008		1,650,008		
Depreciation	45,083			45,083		
Total Operating Expenses	<u>7,049,131</u>	<u>208,915</u>	<u>2,614,666</u>	<u>9,872,712</u>	<u>653,154</u>	
Operating Income (Loss)	(437,423)	53,089	(1,729,638)	(2,113,972)	(608,628)	
Non-operating Revenues						
Interest income	22,627	7,930	9,605	40,162	3,983	
Total Non-operating Revenues	<u>22,627</u>	<u>7,930</u>	<u>9,605</u>	<u>40,162</u>	<u>3,983</u>	
Net income (loss) before operating transfers	(414,796)	61,019	(1,720,033)	(2,073,810)	(604,645)	
Operating Transfers from (to) Other Funds						
Operating transfers in	130,000		1,700,000	1,830,000	500,000	
Operating transfers out		(47,423)		(47,423)		
Total Operating Transfers from (to) Other Funds	<u>130,000</u>	<u>(47,423)</u>	<u>1,700,000</u>	<u>1,782,577</u>	<u>500,000</u>	
Change in net assets	(284,796)	13,596	(20,033)	(291,233)	(104,645)	
Net assets, beginning of year	<u>2,060,414</u>	<u>541,263</u>	<u>-</u>	<u>2,601,677</u>	<u>241,362</u>	
Net assets, end of year	<u>\$ 1,775,618</u>	<u>\$ 554,859</u>	<u>\$ (20,033)</u>	<u>\$ 2,310,444</u>	<u>\$ 136,717</u>	

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - FIDUCIARY FUNDS

June 30, 2005

	Associated Student Body	Student Financial Aid	Retiree Benefits	Total (Memorandum Only)
Assets				
Cash in county treasury	\$	\$ 169,517	\$ 396,319	\$ 565,836
Cash on hand and in banks	1,982,526			1,982,526
Accounts receivable:				
Federal and state governments		158,133		158,133
Miscellaneous			1,670	1,670
Due from other funds			883,805	883,805
Total Assets	<u>\$ 1,982,526</u>	<u>\$ 327,650</u>	<u>\$ 1,281,794</u>	<u>\$ 3,591,970</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	\$ 1,076	\$ 173,761	\$	\$ 174,837
Due to other funds	88,362			88,362
Deferred revenue	212,418	32,366		244,784
Amounts held in trust for others	306,543			306,543
Total Liabilities	<u>608,399</u>	<u>206,127</u>	<u>-</u>	<u>814,526</u>
Fund Balances				
Restricted for special purposes		121,523		121,523
Designated for special purposes			1,281,794	1,281,794
Undesignated	1,374,127			1,374,127
Total Fund Balances	<u>1,374,127</u>	<u>121,523</u>	<u>1,281,794</u>	<u>2,777,444</u>
Total Liabilities and Fund Balances	<u>\$ 1,982,526</u>	<u>\$ 327,650</u>	<u>\$ 1,281,794</u>	<u>\$ 3,591,970</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2005

	Associated Student Body	Student Financial Aid	Retiree Benefits	Total (Memorandum Only)
Revenues				
Federal sources	\$ 19,412,321	\$ 19,412,321	\$	\$ 19,412,321
Other state sources	3,408,333	3,408,333		3,408,333
Other local sources	938,037	6	891,954	1,829,997
Total Revenues	<u>938,037</u>	<u>22,820,660</u>	<u>891,954</u>	<u>24,650,651</u>
Expenditures				
Employee benefits			1,655,606	1,655,606
Services and other operating expenditures	977,356	594		977,950
Student financial aid		22,924,778		22,924,778
Total Expenditures	<u>977,356</u>	<u>22,925,372</u>	<u>1,655,606</u>	<u>25,558,334</u>
Excess (deficiency) of revenues over expenditures	(39,319)	(104,712)	(763,652)	(907,683)
Other Financing Sources (Uses)				
Interfund transfers in		84,534	1,000,000	1,084,534
Interfund transfers out	(130,000)			(130,000)
Total Other Financing Sources (Uses)	<u>(130,000)</u>	<u>84,534</u>	<u>1,000,000</u>	<u>954,534</u>
Net change in fund balance	(169,319)	(20,178)	236,348	46,851
Fund Balances at Beginning of Year, as previously reported	1,572,194	141,701	1,045,446	2,759,341
Adjustment for restatement (see Note 17)	(28,748)			(28,748)
Fund Balances at Beginning of Year, as restated	<u>1,543,446</u>	<u>141,701</u>	<u>1,045,446</u>	<u>2,730,593</u>
Fund Balances - End of Year	<u>\$ 1,374,127</u>	<u>\$ 121,523</u>	<u>\$ 1,281,794</u>	<u>\$ 2,777,444</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Agriculture:			
Providing Latinos with Agriculture & Nursery Technology Success Project	10.223	(1)	\$ 44,320
Child Nutrition Program	10.558	(1)	12,800
Nutrition Network Grant	10.561	(1)	162,886
Department of Housing and Urban Development:			
Hispanic Serving Institutions Assisting Communities (HUD)	14.514	(1)	213,219
Department of Labor:			
Title I Workforce Investment Act, Construction Apprenticeship Program	17.26	(1)	43,067
Department of Education:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	(1)	773,263
Title V-Strengthening Institutions	84.031	(1)	145,460
Title V: Strengthening Success and Transfer			
Latinos Excellence in Academic Program (LEAP)	84.031S	(1)	81,224
Project Management	84.031S	(1)	20,559
Strengthening Student Learning Outcome Success & Transfer	84.031S	(1)	27,659
Administrative Allowance: Federal Work Study	84.033	(1)	76,118
Federal Work Study	84.033	(1)	378,921
VTEA Title IIC	84.048	(1)	898,351
Pell	84.063	(1)	18,606,283
Veteran's Education	84.065	(1)	3,448
VTEA Tech Prep	84.243	(1)	68,800
Student Support Services-Project Launch	84.042A	(1)	285,392
Upward Bound	84.047A	(1)	547,191
Department of Health and Human Services:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	250,345
Scholarships for Disadvantaged Students	93.925	(1)	90,403
Department of Homeland Security:			
Hazard Mitigation Grant	97.039	(1)	30,149
Total Federal Grants			<u>\$ 22,759,858</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Long Beach Community College District had the following loan balance outstanding as of 6/30/05:			
Perkins Program	84.038		\$ 2,242,392
<u>Federal Direct Loan Program</u>			
During the fiscal year ended June 30, 2005, the Long Beach Community College District processed the following amounts of new loans under the William D. Ford Program:			
	84.268		3,084,020
Total Student Financial Aid Loan Programs			<u>\$ 5,326,412</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, 2005

Program Name	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total	Total Program Expenditures
State Categorical Aid Programs:									
Advance Transportation Technology Training	\$ 178,875	\$ -	\$ 178,875	\$ 150,255	\$ 28,620	\$ 210,666	\$ -	\$ 178,875	\$ 178,875
Block Grant - One-Time	450,138	274,744	724,882	724,882				514,216	514,216
Board of Governors Financial Assistant Program (BFAP)	992,751	125,218	1,117,969	1,117,969				1,117,969	1,117,969
CalWorks	1,068,270		1,068,270	1,068,270				1,068,270	1,068,270
California Articulation Numbering System (CANS)	5,000		5,000	5,000				5,000	5,000
Cooperative Agencies Resources for Education (CARE)	252,407	252,407	504,814	2,320				2,320	2,320
Center for Trade Development	178,875		178,875	150,255	28,620			178,875	178,875
Disabled Student Program & Services (DSPS):									
DSPS	994,514		994,514	994,514				994,514	994,514
DSPS/CalWorks	239,400	338	239,738	175,180	64,220			239,400	239,400
DSPS Career in Childcare	168,003	28,688	196,691	124,308	40,995			165,303	165,303
Enrollment Growth Nursing	49,882	49,884	99,766	91,311	7,982	49,411		49,882	49,882
Extended Opportunities Program and Services (EOPS)	1,791,382		1,791,382	998,198				998,198	998,198
Early Start to Emancipation Preparation (ESTEP)	16,447		16,447	2,655	13,792			16,447	16,447
Fund for Instructional Improvement (FI):									
FI - From Margin to Mainstream	22,650		22,650	16,988	5,662			22,650	22,650
FI - Women In Trades & Technology	29,000		29,000	21,750	7,250			29,000	29,000
Foster Care	121,440		121,440	108,214	13,226			121,440	121,440
Independent Living Program (ILP)	21,803	8,279	30,082	8,511	13,265			21,776	21,776
Kinship Educatin Preparation Support (KEPS)	16,100	35,467	51,567	51,567	25,931			25,931	25,931
Limited English Proficient (LEP): Culinary Arts Training	98,784		98,784	30,841	67,413			98,254	98,254
Lottery	906,613	438,537	1,345,150	450,138	85,634			535,772	535,772
Model Approach to Partnership in Parenting (MAPP)	10,821		10,821	5,563	5,258			10,821	10,821
Matriculation - Credit	807,863	158,284	966,147	966,147				966,147	966,147
Matriculation - Non-Credit	215,531	7,913	223,444	223,444				223,444	223,444
Staff Diversity	39,685	13,362	53,047	53,047		27,363		25,684	25,684
Telecommunications & Technology Infrastructure Program (TTIP):									
TTIP Grant		191,061	191,061	191,061		167,200		23,861	23,861
TTIP - Library Automation	36,697	33,732	70,429	70,429		19,531		50,898	50,898
TTIP - Total Cost of Ownership (TCO)	16,406	27,870	44,276	44,276		44,276		-	-
Workplace Learning Resource	178,875		178,875	150,255	28,620			178,875	178,875
Total State Programs	\$ 8,908,212	\$ 1,393,377	\$ 10,301,589	\$ 7,945,781	\$ 436,488	\$ 518,447	\$ -	\$ 7,863,822	\$ 7,863,822

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM BASED FUNDING

For the Fiscal Year Ended June 30, 2005

	Revised Annual FTES Claimed by District*
<u>Full Time Equivalent Students</u>	
A. Credit Full-Time Equivalent Students	
Weekly census	13,529.14
Daily census	2,265.39
Actual hours of attendance	648.71
Independent study/work experience	143.25
Summer intersession	3,219.32
Total	<u>19,805.81</u>
B. Non-Credit FTES	
Actual hours of attendance	934.56
Summer intersession	182.39
Total	<u>1,116.95</u>
C. Basic Skills Courses	
Credit	1,415.82
Non-Credit	782.53
Total	<u>2,198.35</u>
D. In-Service Training Courses	<u>413.47</u>
 <u>Gross Square Footage</u>	
Existing Facilities	<u>1,036,026</u>
 <u>FTES in Leased Facilities</u>	
	<u>486.83</u>

*Amounts reported represent factored FTES.

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, 2005

The audit resulted in no adjustments to the fund balances reported on the June 30, 2005 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles.

The financial data for Certificates of Participation, trustee fund activity reported in the COPs Debt Service and COPs Capital Projects Funds, Associated Student Body Enterprises, and Associated Students Government 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) 2006 (3)</u>		<u>2005</u>		<u>2004*</u>		<u>2003*</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>GENERAL FUND (COMBINED):</u>								
<u>Revenue</u>								
Federal	\$ 4,659,641	4.17	\$ 3,334,737	3.26	\$ 3,879,993	3.49	\$ 3,960,169	3.72
State	76,245,445	68.20	73,438,434	71.75	57,511,798	51.77	54,865,571	51.54
County and Local	28,926,588	25.88	28,487,012	27.83	39,084,254	35.18	35,684,830	33.52
Other Financing Sources	<u>2,157,675</u>	<u>1.93</u>	<u>2,161,692</u>	<u>2.11</u>	<u>2,442,441</u>	<u>2.20</u>	<u>2,140,881</u>	<u>2.01</u>
Total Revenue	<u>111,989,349</u>	<u>100.18</u>	<u>107,421,875</u>	<u>104.95</u>	<u>102,918,486</u>	<u>92.65</u>	<u>96,651,451</u>	<u>90.80</u>
<u>Expenditures</u>								
Academic Salaries	43,496,606	38.90	40,987,881	40.04	42,167,930	37.96	42,894,425	40.30
Classified Salaries	25,461,193	22.78	24,814,358	24.24	26,283,778	23.66	30,476,494	28.63
Employee Benefits	21,431,764	19.17	20,299,778	19.83	18,440,363	16.60	15,986,788	15.02
Supplies and Materials	2,643,499	2.36	1,921,159	1.88	2,169,482	1.95	2,578,179	2.42
Other Operating Expenses and Services	10,233,286	9.14	8,416,842	8.22	6,523,098	5.87	6,812,416	6.40
Capital Outlay	2,682,783	2.40	1,750,333	1.71	1,996,034	1.80	2,069,815	1.94
Debt Service					1,274,668	1.15		
Other Uses	<u>5,842,125</u>	<u>5.23</u>	<u>4,165,130</u>	<u>4.07</u>	<u>12,227,008</u>	<u>11.01</u>	<u>5,625,828</u>	<u>5.29</u>
Total Expenditures	<u>111,791,256</u>	<u>100.00</u>	<u>102,355,481</u>	<u>100.00</u>	<u>111,082,361</u>	<u>100.00</u>	<u>106,443,945</u>	<u>100.00</u>
Change in Fund Balance	\$ <u>198,093</u>	<u>0.18</u>	\$ <u>5,066,394</u>	<u>4.95</u>	\$ <u>(8,163,875)</u>	<u>(7.35)</u>	\$ <u>(9,792,494)</u>	<u>(9.20)</u>
Restatement of Fund Balance	\$ <u>-</u>		\$ <u>(1,471,240)</u>		\$ <u>-</u>		\$ <u>-</u>	
Ending Fund Balance	\$ <u>6,698,002</u>	<u>5.99</u>	\$ <u>6,499,909</u>	<u>6.35</u>	\$ <u>2,904,755</u>	<u>2.61</u>	\$ <u>11,068,630</u>	<u>10.40</u>
Available Reserve Balance (1)	\$ <u>4,803,817</u>	<u>4.30</u>	\$ <u>4,202,165</u>	<u>4.11</u>	\$ <u>1,605,066</u>	<u>1.44</u>	\$ <u>8,027,668</u>	<u>7.54</u>
Full-time Equivalent Students (2)	<u>21,263</u>		<u>20,923</u>		<u>20,450</u>		<u>20,152</u>	
Total Long-Term Debt	\$ <u>137,497,553</u>		\$ <u>74,467,970</u>		\$ <u>78,191,329</u>		\$ <u>45,562,094</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 excluded FTES generated by non-residents.
- (3) All percentages are of total expenditures including contingencies.

*The financial statements as of June 30, 2003 and 2004 were audited by other auditors whose report dated November 21, 2003 expressed a qualified opinion and whose report dated November 5, 2004, expressed an unqualified opinion on those statements.

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, 2005**

	General Fund (Combined)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 145,326	\$ 274,902	\$ 129,576
Temporary Assistance for Needy Families (TANF)	250,344	250,345	1
Veterans Education	166,000	3,448	(162,552)
Vocational and Technical Education Act	966,321	967,151	830
Other Federal Revenue	2,076,772	1,838,891	(237,881)
Revenue from State Sources			
General Apportionments	52,566,093	58,310,952	5,744,859
Categorical Apportionments	7,221,637	7,291,518	69,881
Other State Revenues	4,058,022	7,835,964	3,777,942
Revenue from Local Sources			
Property Taxes	23,660,721	16,717,789	(6,942,932)
Interest and Investment Income		312,846	312,846
Student Fees and Charges	8,208,539	7,632,469	(576,070)
Other Local Revenue	2,344,730	3,823,908	1,479,178
TOTAL REVENUES	<u>101,664,505</u>	<u>105,260,183</u>	<u>3,595,678</u>
EXPENDITURES			
Academic Salaries	40,062,889	40,987,881	(924,992)
Classified Salaries	24,697,276	24,814,358	(117,082)
Employee Benefits	20,379,787	20,299,778	80,009
Supplies and Materials	1,932,147	1,921,159	10,988
Other Operating Expenses & Services	7,931,340	8,416,842	(485,502)
Capital Outlay	2,402,340	1,750,333	652,007
TOTAL EXPENDITURES	<u>97,405,779</u>	<u>98,190,351</u>	<u>(784,572)</u>
Excess of revenues over expenditures	<u>4,258,726</u>	<u>7,069,832</u>	<u>2,811,106</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers Out	(5,662,951)	(3,648,802)	2,014,149
Interfund Transfers In	2,189,163	2,161,692	(27,471)
Other Uses	(508,131)	(516,328)	(8,197)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,981,919)</u>	<u>(2,003,438)</u>	<u>1,978,481</u>
Excess of revenues over expenditures and other sources (uses)	<u>\$ 276,807</u>	<u>5,066,394</u>	<u>\$ 4,789,587</u>
Fund Balance at Beginning of Year, as previously reported		2,904,755	
Adjustment for Restatement (Note 17)		<u>(1,471,240)</u>	
Fund Balance at Beginning of Year, as restated		<u>1,433,515</u>	
Fund Balance at End of Year		<u>\$ 6,499,909</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, 2005

NOTE 1 - PURPOSE OF SCHEDULES:

A. Combining and Individual Fund Financial Statements

Combining and individual fund balance sheets and statements of revenues, expenditures, and changes in fund balances have been presented to provide additional information to the users of the financial statements. These statements have been prepared using the basis of accounting described in Note 1C and are presented in the same fund grouping format as the Annual Financial and Budget Report (Form CCFS-311).

B. 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, 2005 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 Program-Based Funding

The Schedule of Workload Measures for Program-Based Funding represents the basis of the base revenue calculation of the Long Beach Community College District's annual source of funding.

C. Reconciliation of Annual Financial Report and 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

This 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

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 final General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations for governmental funds, by major object accounts, occurred in the following funds:

Unrestricted General Fund:	
Academic Salaries	\$ 481,365
Capital Outlay	214,147
Restricted General Fund:	
Academic Salaries	443,627
Classified Salaries	572,439
Employee Benefits	203,585
Supplies and Materials	248,716
Other Operating Expenses and Services	40,222
Other Student Aid	8,197
Interfund Transfers Out	83,818
Child Development:	
Academic Salaries	8,519
Classified Salaries	20,384
Employee Benefits	2,620
Other Operating Expenses and Services	4,191
Capital Outlay Projects Fund:	
Other Operating Expenses and Services	254,298

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2005

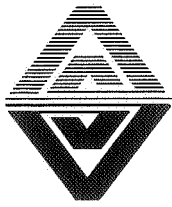
NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS: (continued)

Revenue Bond Construction Fund:	
Supplies and Materials	17,184
Other Operating Expenses and Services	3,245,824
Contract/Community Education Fund:	
Interfund Transfers Out	20,853
Veteran's Stadium Fund:	
Classified Salaries	123,054
Employee Benefits	16,380
Supplies and Materials	26,740

Other Notes:

COPS Debt Service and COPS Capital Projects Fund:

The trustee activity presented in the COPS Debt Service and COPS Capital Projects Funds for the Long Beach Community College Financing Authority Corporation is not reported in the District's books, therefore the unaudited actuals are not prepared for the Annual Financial and Budget Report (CCFS-311) and a budget is not presented.



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

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

Chairman

ROYCE A. STUTZMAN

Partners

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

GEMA M. PTASINSKI

MARY ANN QUAY

LINDA M. SADDLEMIRE

Principal

JERI A. WENGER

Senior Managers

JANETTE CAMPS

CLAUDETTE ELIAS DAIN

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

We have audited the financial statements of Long Beach Community College District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 4, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Long Beach Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs at items 05-01, 05-04 and 05-05.

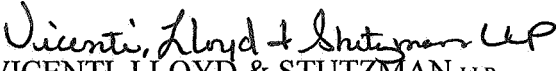
**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, none of the reportable conditions described on the previous page, are considered to be material weaknesses.

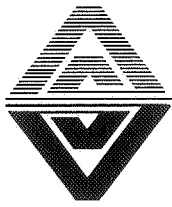
Compliance and Other Matters

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 instances of non-compliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs, as items 05-02 and 05-03, and as detailed in the Report on State Compliance.

This report is intended solely for the information and use of the Board, management, the State 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 4, 2005



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

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

Chairman

ROYCE A. STUTZMAN

Partners

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Compliance

We have audited the compliance of Long Beach Community College 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, 2005. Long Beach Community College District's major federal programs are identified in the summary of auditor 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 Long Beach Community College District's management. Our responsibility is to express an opinion on Long Beach Community College 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 Long Beach Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Long Beach Community College District's compliance with those requirements.

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

In our opinion, Long Beach Community College 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, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs related to federal awards.

Internal Control Over Compliance

The management of Long Beach Community College 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 Long Beach Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

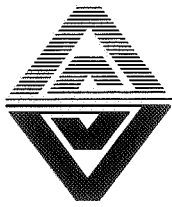
We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of their internal control over compliance that, in our judgment, could adversely affect Long Beach Community College District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contract and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs related to federal awards as finding 05-06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above, is not considered to be a material weakness.

This report is intended solely for the information and use of the Board, management, the State 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 4, 2005



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REPORT ON STATE COMPLIANCE

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, 2005, and have issued our report thereon dated November 4, 2005.

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 2005 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.

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 District's salaries of instructors teaching FTES generating classes, school counselors providing advisement, student services at the Dean level or above, and financial aid officers conducting need analysis, are not considered supportable charges against either Extended Opportunity Programs and Services (EOPS) or Disabled Student Program Services (DSPS) accounts unless their activities require them to perform additional functions for the EOPS or DSPS program which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments.
- Whether the District contributed 100% of the salary and benefits for the EOP&S Director/Administrator from funds other than EOP&S. In addition, the District must employ a full-time 100% Director to manage the daily operations of the EOP&S program unless a waiver has been obtained.
- 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 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 approximately \$6.8 million.
- 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 regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations and has published statements of those regulations in the College catalog.
- Whether the District has adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials.

REPORT ON STATE COMPLIANCE REQUIREMENTS

In our opinion, except for findings 05-02 and 05-03 described in the accompanying schedule of findings and questioned costs, 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.

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 the Board, management, the State Department of Finance, and the State Chancellor's office and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 4, 2005

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2005

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes X No
 Reporting condition(s) identified not considered
 to be material weaknesses? X Yes 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) X Yes No

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.514	Hispanic Serving Institutions Assisting Communities (HUD)
84.007, 84.033 and 84.063	Student Financial Assistance Cluster of Programs
84.048	VTEA Title IIC
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 682,795

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, 2005

FINDING 05-01 - CERTIFICATES OF PARTICIPATION

Original Finding 04-3

Finding: Investments held by the trustee have not been reported to the Board on a regular basis. The Financing Corporation is a component unit of the District and shares all Board members. It is important that the financial activity of the Certificates of Participation be communicated to the Board regularly.

Recommendation: On at least a quarterly basis, the activity and investment balance held by the trustee bank should be reported to the Board. This will ensure that all transactions have been reviewed and properly reported.

District Response: District staff prepares quarterly Budget Performance Reports, which are presented to the Board of Trustees in open session. Staff will add financial information to those reports about investment balances held by the COP's trustee.

FINDING 05-02 STATE COMPLIANCE - EOPS

Finding: In accordance with California Code of Regulation, Title 5, Section 56208: "The [EOPS] Advisory Committee shall meet at least once during each academic year". Based on our inquiries, a meeting had been scheduled, however, it was rescheduled after June 30th. A meeting not occurring during the academic year represents non-compliance with Title 5.

Recommendation: Plan and hold EOPS Advisory Committee meetings at least once each academic year.

District Response: District staff will take action to ensure that the EOPS Advisory Committee meets at least once each academic year. Agendas and minutes from those meeting will be maintained in the EOPS office.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2005

FINDING 05-03 STATE COMPLIANCE – MATERIAL FEES

Finding: The California Code of Regulations defines “Required instructional and other materials” as “any instructional or other materials which a student must procure or possess as a condition of registration, enrollment or entry into a class, or any such material which is necessary to achieve those required objectives of a course which are to be accomplished under the supervision of an instructor during class hours”. Compliance testing included a step to ensure that students are not charged more than the District’s actual cost of the materials. Our testing of material fees identified one course, Bowling, where no materials are provided to the student for the \$25 fee charged to the student. We also noted two courses, Financial Applications – CAOTC, and CBIS 7, where the fees charged exceeded the cost of materials by \$5 and \$3.25 respectively.

Recommendation: The District should review all materials fees charged to determine if they meet the criteria of: a) have continuing value to the students outside the classroom setting; or b) are tangible personal property that is owned or primarily controlled by the student. Fees charged for classes that do not meet the criteria should not be imposed. In addition, the District should monitor the cost of materials provided to ensure the fee charged does not exceed the District’s cost. Documentation supporting the items to be provided and the estimated per item cost of those materials must be maintained and available for audit.

District Response: District staff will review all materials fees to verify that they meet the required criteria. Annually, District staff will analyze material revenues and expenditures for each course requiring a materials fee. In cases where the revenue received exceeds the costs of the materials provided, the materials fee will be adjusted downward for the following academic year. All new and adjusted materials fees will be presented to the Board of Trustees before implementation.

Regarding the fee for the bowling class, this fee is not a materials fee. It is a facilities use fee, needed to help defray the cost of using an off-site bowling alley. This fee is permissible under Education Code section 76395. District staff has made changes to the student accounting system to identify these fees as facilities use fees.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2005

FINDING 05-04 INFORMATION SYSTEM -INTERNAL CONTROLS

Finding: An assessment of internal controls related the District's information systems was done. The following areas were identified as internal control weaknesses for the information systems:

- i. Disaster Recovery: A formalized disaster recovery plan should be documented and implemented. Currently, the District has not developed a disaster recovery plan. A formalized disaster recovery plan helps to ensure that a district can recover after a significant interruption of computer service. Such a plan delineates the procedures and resources to reestablish computer services. The plan should address all possible disaster scenarios and should be reviewed and updated annually.
- ii. Backup and Recovery Capabilities: Backup and recovery capabilities should be tested for reliability. Although the District has not developed a formalized disaster recovery plan, the district has instituted procedures for such items as backup. However, the District has not tested their backup and recovery capabilities.
- iii. Offsite Storage of Back up Tapes: The storage of back up tapes should be offsite for recovery purposes. Currently, the District does not provide for offsite storage of backup tapes. Backup tapes are stored in the same building as the data center. Although the storage cabinet used is fireproof, in the event of a disaster, the entire building may be inaccessible. Furthermore, the cabinet may be damaged in the disaster and may not be able to be opened.
- iv. Information Technology Strategic Plan: The Information Technology Strategic Plan should be updated annually. Currently the District has an Information Technology Strategic Plan; however, it has not been updated. An Information Technology Strategic Plan not only provides direction for the needs of the District but also helps to prioritize projects and new products. Although District administration have been working towards developing a relevant plan, that plan is not currently in place.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2005

FINDING 05-04 INFORMATION SYSTEM -INTERNAL CONTROLS
(continued)

Recommendation:

- i. Implement a written disaster recovery plan and review and update the plan at least annually.
- ii. Plan a test of recovery capabilities and document the results of this test for use in implementation of the disaster recovery plan.
- iii. Consider contracting with an outside vendor to provide offsite storage for back up.
- iv. Complete and publish a three-year strategic plan. Prioritize the plans projects, allocate resources, and updated the plan annually.

District Response:

- i. ACIT is currently evaluating several templates from other educational institutions disaster recovery plans for best practices. A Disaster Recovery Plan will be in place by the end of January 2006.
- ii. All production systems are backed up nightly. The PeopleSoft support staff on a regular bases uses those backup tapes to recreate identical copies of the production environment to test patches, fixes and upgrades to the PeopleSoft system. The construction of such environments also serves the purpose of testing our recovery capabilities. These procedures will be incorporated to the formal Disaster Recovery Plan referred in item i.
- iii. The District has secured an agreement with a vendor for offsite storage.
- iv. The Technology Planning committee will be updating the Technology Master Plan and align it with the new Educational Master Plan as soon as it becomes available. Meanwhile, during the first half of 2006, the Technology Planning Committee will review the technology component of the College's Infrastructure Master Plan and incorporate it into the Technology Master Plan.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2005

FINDING 05-05 INTERNAL CONTROLS –
ASSOCIATED STUDENT BODY (ASB) AND
ASSOCIATED STUDENT BODY ENTERPRISES (ASBE)

Finding: The following observations were noted in our review of ASB and ASBE procedures and controls:

- i. Accounts Payable (ASBE) – Accounts payable detail should be available to determine that the balance reported on the trial balance is accurate. Our review noted substantial variances between the detailed accounts payable aging report and the accounts payable balance reflected on the trial balance. ASBE personnel have been working with the financial software vendor to improve the output of reports generated with no results. The balance sheet is a statement that shows assets, liabilities and the fund balance on a specified date. Accurate reports are essential in determining the financial condition of the fund.
- ii. Safeguarding of Checks (ASB & ASBE) - Unused checks should be maintained in a secured location with limited access. Our review determined that the check stock is not maintained in a secured location. Access of check stock by unauthorized personnel could provide an opportunity for misappropriation of assets.
- iii. 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.
- iv. Safeguarding of Cash (ASBE) - Money turned in by bookstore cashiers should be secured and separately locked until verified in dual custody. Money bags used by the bookstore do not have the ability to be locked. In the event of a large variance it would be difficult to determine who is responsible for the shortage.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2005

FINDING 05-05 INTERNAL CONTROLS –
ASSOCIATED STUDENT BODY (ASB) AND
ASSOCIATED STUDENT BODY ENTERPRISES (ASBE)
(continued)

Recommendation:

- i. Research and reconcile the accounts payable account while continuing efforts to resolve issues with the software vendor.
- ii. Place checks in a secured location with access limited to authorized individuals.
- iii. The key for the cash register should be removed and stored in a safe location while not in use. This will prevent unauthorized individuals from gaining access to the cash register.
- iv. Implement usage of locked zipper bags to maintain individual accountability.

District Response: The District concurs with these recommendations. District staff will offer technical assistance to the ASBE staff to ensure that these recommendations are implemented. Additionally, District staff will periodically seek verification that the improved business practices continue.

- i. We are continuing to work with our software provider to resolve these issues. A new accounts payable clerk has been hired and that person will be sent to Nebraska for training on the software and to build relationships with the support staff.
- ii. The checks will be stored in the cash room instead of the server room.
- iii. The key to the cash register will be removed and stored in a safe location when not in use.
- iv. We will purchase and use locked zipper bags to maintain individual accountability.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2005

FINDING 05-06 FEDERAL WORK STUDY
PAYROLL DOCUMENTATION

Federal Program: Federal Work Study
Federal Catalog Number: 84.033

Finding: Time cards for Federal Work Study 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.

Questioned Cost: Unable to determine.

Recommendation: Implement usage of standardized Federal Work Study time cards with an area for student and supervisor to sign.

District Response: District staff will implement revised business procedures to require employee and supervisor signatures on time cards for federal work study students. Further, periodic reviews will be conducted to verify that reported time on the time sheets match the time reported on TARS.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 June 30, 2005

Original Finding No.	Finding	Recommendation	Current Status
04-1	<p><u>DISTRICT FINANCIAL CONDITION</u></p> <p>As reported in the District's general ledger, the Unrestricted General Fund ended the 2003-04 fiscal year with a total unrestricted ending balance of \$1,605,066. This balance reflects \$2,876,782 in prior year adjustments that had not yet been reflected on the Community College Financial Statement (CCFS-311) reported to the State Chancellor's Office. There were no additional audit adjustments proposed or posted as a result of our audit procedures. The District had originally reported General Reserves of at least five percent of the unrestricted ending fund balance; however, the current General Reserve level has now fallen to 1.8 percent of total Unrestricted General Fund Expenditures. The State Chancellor's Office has recommended a reserve level of at least five percent of Unrestricted General Fund Expenditures in order to provide for the ongoing financial health and stability of the District.</p>	<p>The budget for the 2004-05 year should be analyzed to determine the effect of this reduced ending balance of the expenditures planned for the current fiscal year. As the budget is adjusted, it should be closely monitored to ensure the future health and stability of the District. It appears some expenditures for health care benefits that are charged only to the unrestricted General Fund's general ledger accounts may actually be the obligation of other funds as these balances have been adjusted on the CCFS-311 report. The District should research the possibility of recouping the cost of these benefits from the other funds and establish a practice of allocating those benefit charges to the other funds on a quarterly basis.</p>	<p>Substantially implemented. The District ended the year with a 4.11% reserve balance.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 June 30, 2005

Original Finding No.	Finding	Recommendation	Current Status
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CASH IN COUNTY TREASURY BALANCES

04-2

In reviewing the reconciliation of the year end Cash in County Treasury balances, it was noted an entry was made prior to the final closing of the books to record the receipt of approximately \$3 million in Tax and Revenue Anticipation Note proceeds that the District did not actually receive until July 8, 2004. An offsetting entry was also made to overstate the Accounts Payable balance. The effect of this transaction overstated the District's Unrestricted General Fund investment balance when, in fact, the balance was a negative \$1.6 million.

Care should be taken to ensure that only valid transactions are actually posted to the general ledger.

Implemented.

04-3

CERTIFICATES OF PARTICIPATION

The District issued \$34,300,000 in Certificates of Participation through the Long Beach Community College District Financing Corporation. There has been no reconciliation of the activity within the Certificates of Participation trustee statements. We noted discrepancies between the amounts drawn by the District and the amounts posted to the trustee statements by the bank. The bank is in the process of providing a reconciliation of the balances and transactions from the inception of the issuance. Additionally, the investments held by the trustee have not been reported to the Board on a regular basis even though the Financing Corporation is a component unit of the District and shares all Board members.

The District Business Office should work with the bank to reconcile all trustee statements from the inception of the Certificate's issuance to ensure all transaction related to interest earnings, draw-downs of funds, and charges have been properly accounted for and posted to the trustee statements. On a quarterly basis, the activity and investment balance held by the bank should be reported to the Board. This will ensure that all transactions have been reviewed and properly reported.

Partially implemented. See finding 05-01.