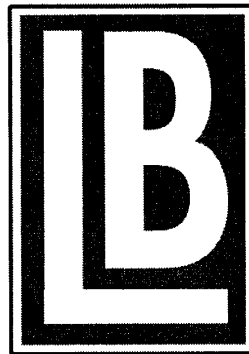


LONG BEACH COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2006**



CITY

COLLEGE

LONG BEACH COMMUNITY COLLEGE DISTRICT

**AUDIT REPORT
June 30, 2006**

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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, 2006 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Long Beach Community College District as of June 30, 2006, 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 October 20, 2006 on our consideration of the Long Beach Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial 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.

Board of Trustees
Long Beach Community College District

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, supplementary section and continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards 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 and continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


VICENTI, LLOYD & STUTZMAN LLP

October 20, 2006

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

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, 2006. This discussion is prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 28,000 students at two campuses, the Liberal 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 Standards Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which changed the reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applies these reporting standards to public colleges and universities. The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office recommended that all California community colleges follow these standards under the Business Type Activity (BTA) model. Nearly all public colleges and universities nationwide have selected the BTA reporting model, which makes it easier to display comparable data. As such, the District uses the BTA model for reporting its financial statements.

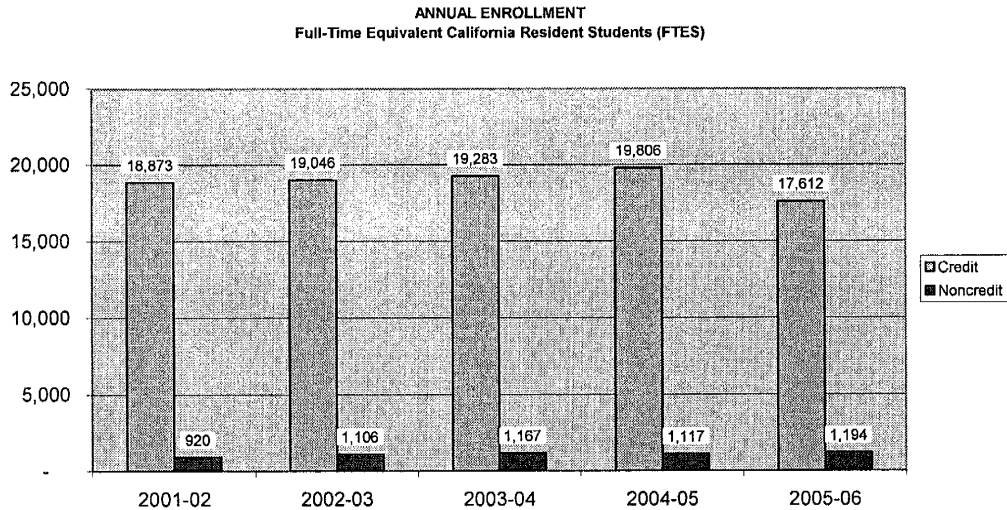
Financial and Enrollment Highlights

- In 2005-06 the District's primary funding source was "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, 2006. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total factored FTES were 18,806, for the 2005-06 fiscal year. Secondary apportionment factors are new credit FTES, continuing credit enrollment, non-credit FTES, gross square footage, and leased space FTES.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006



- The District ended the year with an Unrestricted General Fund balance of \$6,087,612 which is an increase of \$1,166,536. This ending fund balance is 6.4% of expenditures and other uses.
- The primary expenditure of the District is for the salaries and benefits for academic, classified, and administrative salaries. For governmental funds these costs increased from the previous fiscal year by approximately \$7.2 million to \$97.1 million. This 8% increase is due to higher salary and benefit costs and a slightly larger workforce.
- The District has completed two construction projects: the Child Development and Warehouse facility. These projects were funded through the District's \$176 million general obligation bond program. The District has issued the first \$105 million of bonds and refunded a portion of the initial \$40 million from Series A.
- The District provided student financial aid to qualifying students of the District in the amount of approximately \$25.9 million. This represents a slight increase over the 2004-05 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.
- Cash in the Retiree Benefit Fund was \$1.1 million, which is an increase of \$0.7 million from the previous year. Although this is a step in the right direction, challenges remain to fully fund the retiree benefits liability of \$35.2 million, as of April 1, 2003. The District has commissioned a new actuarial study to update the liability estimate.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Financial Statement Presentation and Basis of Accounting

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

The financial statements noted above are prepared in accordance with Governmental Accounting Standards Board Statements No. 34 and 35 which provides an entity wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District 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, 2006 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	\$ 6,087,612
Restricted Fund Balance	1,945,634
Bond Interest and Redemption Fund Balance	3,901,423
Revenue Bond Construction Fund Balance (General Obligation)	69,092,239
Capital Outlay Fund Balance	3,869,106
All Other Funds	<u>7,610,278</u>
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	<u>92,506,292</u>
COPS Debt Service trustee fund activity (not reported on CCFS-311, see page 38)	9,513,597
COPS Capital Projects Fund (not reported on CCFS-311, see page 38)	494
Associated Student Body Enterprises (not reported on CCFS-311, see page 41)	<u>1,882,775</u>
Total Ending Fund balances	<u><u>\$ 103,903,158</u></u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Total Ending Fund balances \$ 103,903,158

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

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets. Capital assets of \$548,056, are already reported in the Associated Student Body Enterprise Fund. 98,177,922

Compensated absences and load banking are not due and payable in the current period, and therefore are not reported in the governmental funds. Compensated absences and load banking of \$182,922 and \$66,860 are already reported in the Unrestricted General Fund and the Associated Student Body Enterprise Fund, respectively. (3,877,364)

Short-term and long-term liabilities, including bonds, 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. Short-term and long-term liabilities are added to the statement of net assets which reduces the total net assets reported. (146,417,633)

Interest expense related to bonds incurred through June 30, 2006 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. (692,416)

The supplemental employee retirement plan liability is not due and payable in the current period and, therefore, not reported as a liability in the governmental funds. (1,347,735)

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

Amounts for 2005-06 property taxes levied for debt service not received as of June 30, 2006. 800,659

Total Net Assets \$ 49,114,919

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year. It is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a "point-in-time" financial statement. The purpose of this statement is to present the readers with a fiscal snapshot of the District on June 30, 2006. 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 three largest categories of assets are capital fund assets (\$98.7 million), cash and cash equivalents (\$87.9) million, and accounts receivable (\$17.4 million). These three categories compose over 95% of total assets. The first category, investment in capital assets, provides the equity amount in property, plant and equipment owned by the District. The increase from \$80.4 million to \$98.7 million is primarily attributable to the District's Facilities Construction & Improvement Program, which is financed through general obligation bonds. Specifically, \$9.6 million of construction in progress added to the capital assets balance. Please see Note 5, on page 20, for more details.

The second category is cash and cash equivalents, which represents cash held by the Los Angeles County Treasury, the General Obligation Bond Trustee U.S. Bank, the Trustee for the Irrevocable Retiree Benefits Trust (Futuris) and local banks for revolving cash and other small clearing accounts.

The third largest category of assets are accounts receivable. These are amounts due to the District from the State Chancellors Office, for FTES apportionment and state funded construction projects, and other providers of funding for grants and categorical programs.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Total net assets are \$49.1 million, which is an increase of \$.7 million. Unlike for profit business enterprises, the primary mission of the college is to educate people rather than to maximize assets. Nonetheless, to ensure financial stability the financial management policies and practices of the college are designed to preserve net assets and to make modest incremental increases.

The two largest liability groupings are long-term liabilities, and accounts payable, accrual liabilities and compensated absences. These two liability categories represent over 96% of the \$165.6 million total liabilities.

The long-term liabilities are for the general obligation bonds (\$110.3 million) and repayment of certificates of participation (COPS) (\$34.3 million). The liability for general obligation bonds are fully secured by property tax assessments on owners of real property within the boundaries of the District. Therefore, this liability will not affect the budget or operation of the District.

Accounts payable, accrued liabilities and compensated absences – balances for 2005-06 include approximately \$2.2 million in faculty load banking liabilities, and approximately \$1.9 million in compensated absences and \$6.9 million of accounts payable.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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

	(in thousands) <u>2006</u>	(in thousands) <u>2005</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 79,800	\$ 31,423	154%
Receivables	17,421	12,012	45%
Due from fiduciary fund and Foundation	38	124	-69%
Inventories	972	962	1%
Prepaid expenses	<u>203</u>	<u>18</u>	1028%
Total current assets	<u>98,434</u>	<u>44,539</u>	121%
Non-current assets			
Restricted cash and cash equivalents	8,076	2,774	191%
Investments	9,514	10,085	-6%
Capital assets, net of depreciation	<u>98,726</u>	<u>80,434</u>	23%
Total non-current assets	<u>116,316</u>	<u>93,293</u>	25%
TOTAL ASSETS	<u>214,750</u>	<u>137,832</u>	56%
LIABILITIES			
Current liabilities			
Accounts payable, accrued liabilities and compensated absences	13,204	10,892	21%
Due to fiduciary funds	276	-	100%
Deferred revenue	2,917	2,681	9%
Amounts held in trust for others	41	46	-11%
Long-term liabilities - current portion	<u>5,456</u>	<u>1,970</u>	177%
Total current liabilities	<u>21,894</u>	<u>15,589</u>	40%
Non-current liabilities			
Estimated claims liability	1,432	1,311	9%
Long-term liabilities less current portion	<u>142,309</u>	<u>72,497</u>	96%
Total non-current liabilities	<u>143,741</u>	<u>73,808</u>	95%
TOTAL LIABILITIES	<u>165,635</u>	<u>89,397</u>	85%
NET ASSETS			
Invested in capital assets, net of related debt	21,826	27,851	-22%
Restricted	22,919	18,737	22%
Unrestricted	<u>4,370</u>	<u>1,847</u>	137%
TOTAL NET ASSETS	<u>\$ 49,115</u>	<u>\$ 48,435</u>	1%

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

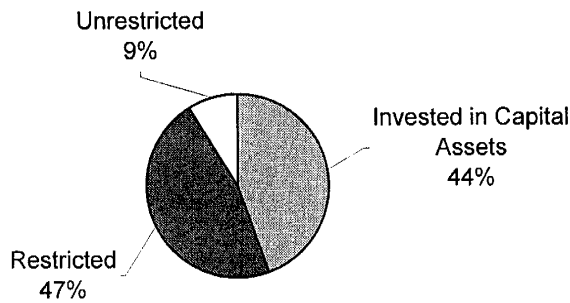
LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

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

Net Assets
June 30, 2006



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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Statement of Revenues, Expenses and Changes in Net Assets

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

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

While the distinction between operating and non-operating revenues is useful to managers for profit business enterprises, this distinction is not as important for managers of public sector community colleges. Therefore, to simplify the discussion, operating revenue, non-operating revenue and other revenues will be combined. Total revenues from all sources were \$162.9 million for 2006, which is \$11.6 million more than for 2005. This 7.7% increase is primarily attributed to activity in the General Obligation Bond Fund and associated interest.

Operating expenses increased 10% from \$138.2 million to \$152.4 million. These increases are due to higher costs for salaries and benefits (\$7.2 million), supplies, materials, and other operating expenses (\$6.2 million) and utilities (\$0.5 million).

The net change in Net Assets for 2006 increased \$48.4 million to \$49.1 million. This represents a 1% increase.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

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

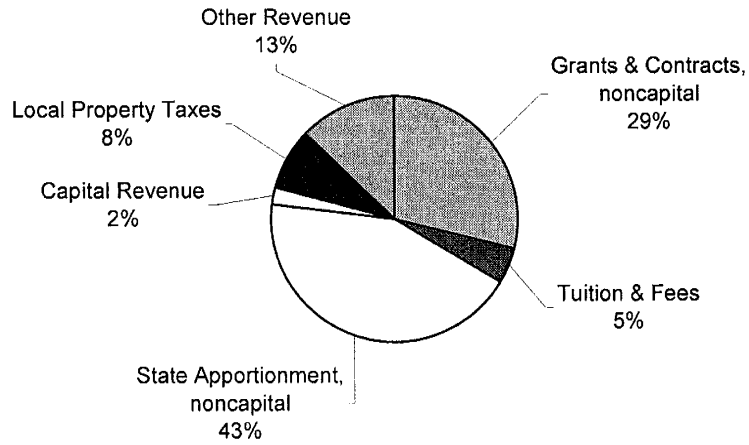
	(in thousands) <u>2006</u>	(in thousands) <u>2005*</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 7,681	\$ 7,632	1%
Grants and contracts, non-capital	47,247	48,483	-3%
Auxiliary sales and charges	<u>6,608</u>	<u>6,496</u>	2%
Total operating revenues	<u>61,536</u>	<u>62,611</u>	-2%
Operating Expenses			
Salaries and benefits	97,106	89,904	8%
Supplies, materials and other operating expenses and services including financial aid payments to students	52,485	45,790	15%
Depreciation	<u>2,879</u>	<u>2,555</u>	13%
Total operating expenses	<u>152,470</u>	<u>138,249</u>	10%
Operating loss	<u>(90,934)</u>	<u>(75,638)</u>	20%
Non-operating revenues			
State apportionments, non-capital	70,334	58,311	21%
Local property taxes	13,095	16,916	-23%
State taxes and other revenues	3,283	3,261	1%
Investment income, net	450	1,048	-57%
Transfer from fiduciary	<u>150</u>	<u>130</u>	15%
Total non-operating revenues	<u>87,312</u>	<u>79,666</u>	10%
Other revenues, (expenses), gains or (losses)			
State apportionments, capital	3,762	3,875	-3%
Local property taxes and revenues, capital	7,243	4,574	58%
Investment income, capital	3,006	517	481%
Interest expense	<u>(9,945)</u>	<u>(2,357)</u>	322%
Total other revenues, (expenses), gains or (losses)	<u>4,066</u>	<u>6,609</u>	-38%
Change in net assets	<u>444</u>	<u>10,637</u>	-96%
Net assets, beginning of year as previously reported	48,435	30,054	61%
Adjustment for restatement (see note 16)	<u>236</u>	<u>7,744</u>	-97%
Net assets, beginning of year as restated	<u>48,671</u>	<u>37,798</u>	29%
Net assets, end of year	<u>\$ 49,115</u>	<u>\$ 48,435</u>	1%

*Certain reclassifications have been made to the summarized financial statements for the year 2004-05 to conform to the 2005-06 summarized financial statement presentation.

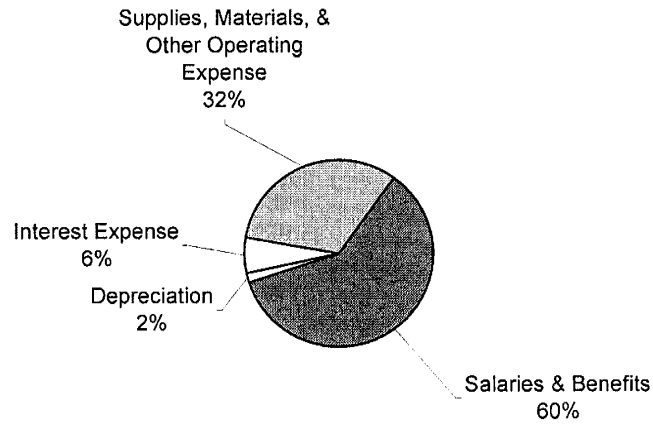
This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Assets presented on page 2.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Revenue 2005/06



Expenses 2005/06



LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

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 part: Cash Flows from Operating Activities, Cash Flows for Non-Capital Financing Activities, Cash Flows for Capital and Related Financing Activities, Cash Flows from Investing Activities, and the reconciliation of net operating loss to net cash used by operations. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financial purposes. The third part shows cash flows from capital projects and related financing activities. This part deals with the cash used for the construction and improvement of capital facilities and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities and the year-to-year change in the District's cash position.

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

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

Capital and related financing – These cash flows are associated with the District's Facilities Construction and Improvement Program. During the 2006 fiscal year, construction work was completed on the state-of-the-art Child Development Center at the Pacific Coast Campus and the Warehouse Facility at the Pacific Coast Campus.

Investing activities – In 2006 the District invested unused funds derived from the sale of General Obligation Bonds. Additional information on the District's investments can be found in the notes to the financial statements beginning on page 18.

The net change in cash, considering all sources and uses was \$53.7 million. This results in an end-of-the-year cash balance of \$87.9 million. As a matter of prudent financial management, the district maintains a positive cash position at all times.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

A summarized comparison of the Statement of Cash Flows for 2004-05 and 2005-06 are presented below:

	(in thousands)	(in thousands)	
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (89,192)	\$ (73,792)	-21%
Non-capital financing activities	83,424	81,628	-2%
Capital and related financing activities	58,448	(25,070)	333%
Investing activities	<u>999</u>	<u>1,523</u>	34%
Net decrease in cash and cash equivalents	53,679	(15,711)	442%
Cash balance, beginning of year	34,197	50,336	32%
Restatement to cash balance	-	(428)	100%
Cash balance, end of year	<u>\$ 87,876</u>	<u>\$ 34,197</u>	-157%

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, furniture and equipment. During the year, the District also continued to modernize various facilities throughout the District. At the end of the year capital assets were valued at \$98.7 million, which is a 23% increase. In accordance with GASB requirements, all assets, including land, is recorded at historical cost. Actual fair-market value of land is substantially higher than historical cost. This is due to the fact that land for the Liberal Arts Campus and the Pacific Coast Campus was acquired approximately seventy-five years ago and land values in Southern California have increased over time.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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

	<u>Balance</u> <u>June 30, 2006</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Change</u>
Land	\$ 10,728	\$ 10,728	0%
Site and Site Improvements	89,446	70,339	27%
Equipment	10,665	9,677	10%
Construction in Process	<u>26,610</u>	<u>25,533</u>	4%
Totals at historical cost	<u>137,449</u>	<u>116,277</u>	18%
Less accumulated depreciation for:			
Site and Site Improvements	29,663	27,311	9%
Equipment	<u>9,060</u>	<u>8,532</u>	6%
Total accumulated depreciation	<u>38,723</u>	<u>35,843</u>	8%
Governmental capital assets, net	<u>\$ 98,726</u>	<u>\$ 80,434</u>	23%

Long-term Debt

At the end of this year, the District had \$147.7 million in long-term debt. During the 2005-06 fiscal year, long-term debt increased by \$74.2 million. \$75.5 of the new long-term debt is from the sale of general obligation bonds to support the District's Facilities Construction and Improvement Program. This debt is fully secured by property tax assessments levied on all commercial real estate within the boundaries of the district. Therefore, this long-term debt will have no negative budgetary or operational impact on the district.

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

	<u>Balance</u> <u>June 30, 2006</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Change</u>
General obligation bonds	\$ 110,291	\$ 35,800	208%
Certificates of participation	34,300	34,300	0%
Capital leases	1,826	2,259	-19%
Supplemental employee retirement plan	<u>1,348</u>	<u>2,108</u>	-36%
	<u>\$ 147,765</u>	<u>\$ 74,467</u>	98%

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Economic Factors Affecting the Future of Long Beach Community College District

The economic position of Long Beach Community College District is closely tied to the economic health of the State of California. State apportionments, other State revenue, and property taxes allocated to the District represent approximately 78% of the unrestricted resources in the District's Unrestricted General Fund. For future years, the Program Based Funding formula, previously used by the State to appropriate financial resources to public community colleges, has been replaced by a new formula. The new formula became effective with the passage and gubernatorial approval of Senate Bill 361 on September 29, 2006. Briefly, for Long Beach Community College District's 2006-2007 budget, the new funding formula establishing an annual foundation grant of \$6 million plus \$4,367 for each full-time equivalent student enrolled in "for credit" classes, \$2,626 for each full-time equivalent student enrolled in "non-credit" classes, and \$3,092 for each full-time equivalent student enrolled in "Career Development and College Preparation" (CDCP) classes. The funding for CDCP is a new factor in the funding formula which is 18% higher than in the previous funding model. This creates an opportunity for Long Beach Community College District to earn additional state apportionment non-operating revenues by developing and offering an extensive Career Development and College Preparation curriculum. Long Beach City College is seizing this opportunity and an enhanced non-operating revenue stream will result from the expanded course offerings in Career Development and College Preparation.

Student enrollment is projected to stabilize 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, 2006, the Retiree Health Fund had a balance of \$3.7 million. The college has entered into the FUTRIS 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Ongoing construction projects for the Industrial Technology Facility and the Learning Resource Centers South Quad Complex 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 2005-06 and 2006-07. For the classified staff bargaining unit negotiations are complete for 2005-06, and negotiations are currently underway for 2006-07. The estimated 2007 costs of the negotiated salary and benefit are included in the adopted budget.

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.

Other Factors Affecting the Future of Long Beach Community College District

After nine years of distinguish service to the District, the Superintendent-President, Dr. E. Jan Kehoe, has decided to retire effective January 1, 2007. The Board of Trustees conducted an extensive executive search process, and appointed Mr. Eloy Ortiz Oakley as Dr. Kehoe's successor.

Mr. Oakley is the current Assistant Superintendent/Executive Vice President of Administrative Services and has served at the college since 2002. He serves as the Chief Operations Officer and Chief Financial Officer, as acting Superintendent/President and as Chair of the District's Executive Committee. Prior experience includes serving as Vice President of College Services at Oxnard College from 2001-2003, Assistant Vice President, Property & Casualty Division of Keenan & Associates from 1999 to 2001, and as Manager of Risk Services at Coast Community College District from 1993-1999. Mr. Oakley received his B.A. and his MBA from the University of California, Irvine.

The Board and the District management are confident that, under Mr. Oakley's leadership, the District's financial management is in good hands.

Contacting the District

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

BASIC FINANCIAL STATEMENTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 79,799,830
Accounts receivable, net	17,421,004
Due from Foundation	37,620
Stores inventory	972,366
Prepaid expenses	<u>203,262</u>
Total Current Assets	<u>98,434,082</u>
Non-current Assets:	
Restricted cash	8,076,199
Investments	9,513,597
Capital assets, net of accumulated depreciation	<u>98,725,978</u>
Total Non-current Assets	<u>116,315,774</u>
TOTAL ASSETS	<u>\$ 214,749,856</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 6,943,786
Due to fiduciary fund	276,243
Accrued liabilities	2,133,280
Deferred revenue	2,916,662
Compensated absences	4,127,146
Amounts held in trust for others	40,780
Capital leases - current portion	455,067
Certificates of participation - current portion	425,000
General obligation bonds payable - current portion	3,815,688
Supplemental employee retirement plan - current portion	<u>760,753</u>
Total Current Liabilities	<u>21,894,405</u>
Non-current Liabilities:	
Estimated claims liability	1,431,672
Capital leases	1,370,980
Certificates of participation	33,875,000
General obligation bonds payable	106,475,898
Supplemental employee retirement plan	<u>586,982</u>
Total Non-current Liabilities	<u>143,740,532</u>
TOTAL LIABILITIES	<u>165,634,937</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,826,078
Restricted for:	
Capital projects	3,869,106
Debt service	16,263,857
Scholarships & loans	121,522
Other special services	2,664,546
Unrestricted	<u>4,369,810</u>
TOTAL NET ASSETS	<u>49,114,919</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 214,749,856</u>

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, 2006

OPERATING REVENUES	
Tuition and fees (gross)	\$ 14,705,512
Less: Scholarship discounts and allowances	<u>(7,024,995)</u>
Net tuition and fees	7,680,517
Grants and contracts, non-capital:	
Federal	27,840,944
State	12,294,771
Local	7,112,149
Auxiliary enterprise sales and charges	<u>6,608,097</u>
TOTAL OPERATING REVENUES	<u>61,536,478</u>
OPERATING EXPENSES	
Salaries	73,827,668
Employee benefits	23,278,509
Supplies, materials, and other operating expenses and services	23,192,870
Financial aid	26,507,419
Utilities	2,784,735
Depreciation	<u>2,879,259</u>
TOTAL OPERATING EXPENSES	<u>152,470,460</u>
OPERATING LOSS	<u>(90,933,982)</u>
NON-OPERATING REVENUES	
State apportionments, non-capital	70,334,260
Local property taxes	13,095,193
State taxes and other revenues	3,282,674
Investment income - non-capital	449,600
Transfer from fiduciary fund	<u>150,000</u>
TOTAL NON-OPERATING REVENUES	<u>87,311,727</u>
LOSS BEFORE OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	<u>(3,622,255)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	
State apportionments, capital	3,762,325
Local property taxes and revenues, capital	7,242,791
Investment income - capital	3,006,082
Interest expense on capital asset-related debt	<u>(9,944,808)</u>
TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	<u>4,066,390</u>
INCREASE IN NET ASSETS	<u>444,135</u>
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	48,434,697
Adjustment for restatement (see note 16)	<u>236,087</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>48,670,784</u>
NET ASSETS, END OF YEAR	<u>\$ 49,114,919</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, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees (net)	\$ 7,547,877
Federal grants and contracts	28,251,241
State grants and contracts	10,405,214
Local grants and contracts	6,521,148
Enterprise sales and charges	6,474,100
Payments to suppliers	(24,651,372)
Payments to/on behalf of employees	(97,305,098)
Payments to/on behalf of students	(26,430,392)
Amounts received in trust	<u>(4,889)</u>
Net cash used by operating activities	<u>(89,192,171)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	65,782,314
Property taxes	12,492,564
State tax and other revenues (payments)	4,999,174
Fiduciary fund transfers	<u>150,000</u>
Net cash provided by non-capital financing activities	<u>83,424,052</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State apportionment for capital purposes	5,780,522
Local revenue for capital purposes	6,766,524
Interest on capital investments	2,084,270
Purchase of capital assets	(21,170,840)
Proceeds from capital debt	101,451,929
Deposit to escrow fund to defease capital debt	(28,223,716)
Payment of bond issuance cost	(1,344,605)
Principal paid on capital debt	(3,311,605)
Interest paid on capital debt	<u>(3,584,885)</u>
Net cash provided by capital and related financing activities	<u>58,447,594</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	428,394
Net sales of investments	<u>571,091</u>
Net cash provided by investing activities	<u>999,485</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 53,678,960
 CASH BALANCE, Beginning of Year	 <u>34,197,069</u>
 CASH BALANCE - End of Year	 <u>\$ 87,876,029</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, 2006

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

Operating loss	\$ (90,933,982)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	2,879,259
Changes in assets and liabilities:	
Receivables, net	(2,112,665)
Due from Foundation	(1,918)
Due from fiduciary fund	88,362
Inventory	(10,878)
Prepaid expenses	(185,006)
Accounts payable and accrued liabilities	881,748
Deferred revenue	(441,549)
Due to fiduciary fund	276,243
Compensated absences	1,013,209
Amounts held in trust for others	(4,889)
Estimated claims liability	120,648
Supplemental employee retirement plan	<u>(760,753)</u>
Net cash used by operating activities:	<u>\$ (89,192,171)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 79,799,830
Restricted cash and cash equivalents	<u>8,076,199</u>
Total	<u>\$ 87,876,029</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

	Associated Student Body Fund
ASSETS	
Cash and cash equivalents	\$ 2,197,641
Due from governmental funds	<u>276,243</u>
TOTAL ASSETS	<u>\$ 2,473,884</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 4,166
Deferred revenue	111,077
Amounts held in trust	<u>325,095</u>
TOTAL LIABILITIES	<u>440,338</u>
NET ASSETS	
Unrestricted	<u>2,033,546</u>
TOTAL NET ASSETS	<u>2,033,546</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,473,884</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, 2006

	Associated Student Body Fund
ADDITIONS	
Student representation fee	\$ 1,146,701
Other local sources	250,030
Interest and investment income	<u>38,624</u>
TOTAL ADDITIONS	<u>1,435,355</u>
DEDUCTIONS	
Services and other operating expenses	625,936
Transfer to ASBE	<u>150,000</u>
TOTAL DEDUCTIONS	<u>775,936</u>
Increase in Net Assets	659,419
NET ASSETS AT BEGINNING OF YEAR	<u>1,374,127</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,033,546</u></u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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, 2006

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) – 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 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, 2006

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

A. REPORTING ENTITY: (continued)

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

Long Beach City College Foundation – The Foundation is a separate not-for-profit corporation. The Foundation is not included as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District.

Separate financial statements for the Foundation can be obtained through the District.

B. FINANCIAL STATEMENT PRESENTATION:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments and including Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Proprietary activities reported in the enterprise and internal service funds are included in the entity-wide perspective. Fiduciary activities, with the exception of Student Financial Aid Programs and retiree benefit activity, are excluded from the basic financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING:

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

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

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING: (continued)

4. Stores Inventories

Inventory is expensed when purchased in the General Fund; these items consist of expendable instructional, custodial, health and other supplies for consumption. Inventory is valued at cost in the Enterprise Fund.

5. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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 workers' compensation payments.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING: (continued)

7. Capital Assets (continued)

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 25 years for portable buildings, 20 years for building and land improvements, 5 years for equipment and vehicles and 3 years for technology.

8. Accounts Payable

Accounts payable consists of amounts due to vendors and accrued interest payable of \$692,416 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING: (continued)

11. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits and load banking are recognized as liabilities of the District as compensated absences in the Statement of Net Assets.

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

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

12. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

C. BASIS OF ACCOUNTING: (continued)

12. Net Assets (continued)

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

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

13. State Apportionments

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

Any prior year corrections due to the recalculation in February of 2007 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, 2006

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 \$781,000 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, 2006

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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, 2006, \$6,441,453 of the District's bank balance of \$7,041,947 was exposed to credit risk as follows:

Uninsured and uncollateralized	\$ 6,441,453
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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, 2006, as provided by the pool sponsor, was \$86,519,510. 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 \$380,107 on June 30, 2006, which represents withholdings payable.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 2005-06 fiscal year.

Investments with fiscal agent at June 30, 2006 held on behalf of the Long Beach Community College Financing Authority Corporation are presented below:

<u>Uncategorized Investments:</u>	<u>Maturities</u>	<u>Fair Value</u>
Guaranteed Investment Contracts (GIC)	10/1/2031	\$9,513,597

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2006 consists of the following:

	<u>Governmental Funds</u>
Federal and State	\$13,664,907
Miscellaneous	<u>3,756,097</u>
	<u>\$17,421,004</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.

A transfer of \$150,000 was received by the Associated Student Body Enterprise (ASBE) during 2005-06 from the Associated Student Body (ASB) fiduciary organization as a contribution for salaries related to ASB employees.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2006:

	Balance June 30,2005	Additions	Retirements	Balance June 30,2006
Land	\$ 10,728,381	\$	\$	\$ 10,728,381
Site and site improvements	70,339,547	19,105,603		89,445,150
Equipment	9,676,905	988,086		10,664,991
Construction in progress	25,533,003	9,643,496	(8,566,345)	26,610,154
Total cost	<u>116,277,836</u>	<u>29,737,185</u>	<u>(8,566,345)</u>	<u>137,448,676</u>
Less accumulated depreciation for:				
Site and site improvements	27,311,155	2,351,706		29,662,861
Equipment	8,532,284	527,553		9,059,837
Total accumulated depreciation	<u>35,843,439</u>	<u>2,879,259</u>	<u>-</u>	<u>38,722,698</u>
Governmental capital assets, net	<u>\$ 80,434,397</u>	<u>\$ 26,857,926</u>	<u>\$ (8,566,345)</u>	<u>\$ 98,725,978</u>

NOTE 6 - LEASES:

A. Capital Leases

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 455,067	\$ 81,248	\$ 536,315
2008	477,778	58,537	536,315
2009	501,623	34,692	536,315
2010	391,579	10,657	402,236
Total	<u>\$ 1,826,047</u>	<u>\$ 185,134</u>	<u>\$ 2,011,181</u>

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 6 - LEASES: (continued)

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>
2006-07	\$ 127,231
2007-08	127,231
2008-09	<u>114,022</u>
	<u>\$ 368,484</u>

NOTE 7 - CERTIFICATES OF PARTICIPATION:

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments as follows. The interest rate was estimated using a variable rate approximately 3.65% which was based on the current Dutch Auction rate.

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 425,000	\$ 1,240,316	\$ 1,665,316
2008	450,000	1,224,119	1,674,119
2009	500,000	1,206,325	1,706,325
2010	525,000	1,187,391	1,712,391
2011	575,000	1,166,859	1,741,859
2012-2016	3,650,000	5,461,769	9,111,769
2017-2021	5,375,000	4,633,447	10,008,447
2022-2026	7,925,000	3,411,153	11,336,153
2027-2031	11,825,000	1,596,191	13,421,191
2032	3,050,000	27,830	3,077,830
Total	<u>\$ 34,300,000</u>	<u>\$ 21,155,400</u>	<u>\$ 55,455,400</u>

NOTE 8 - GENERAL OBLIGATION BONDS:

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

On November 29, 2005, the District also offered for sale \$28,224,898 in General Obligation 2002 Election Series C (2005) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$21,485,000 and capital appreciation bonds in the aggregate principal amount of \$6,739,898. These bonds contain an interest provision ranging from 3.75 percent to 5 percent depending on maturity date of the bond. These bonds were issued to refund certain outstanding general obligation bonds (Series A) of the District and to pay for certain capital improvements.

The capital appreciation bonds were issued with maturity dates of May 1, 2014 through May 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2006, \$5,938,710 in accreted interest has been accrued and included in long-term debt.

\$5,519,550 in proceeds were deposited in the Revenue Bond Construction Fund. The balance of proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2006 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,175,000. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,546,350. The present value of economic gain to the District amounts to approximately \$955,810. These savings result in a re-calculation of the collections and payments toward bond payoffs and are included in the consolidated schedule noted on the subsequent page.

The following summarizes the debt service requirements of the District for such bonds which mature annually through 2030:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Final Maturity Date⁽¹⁾</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2005</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2006</u>
4/30/03 A	2.5-5.0%	5/1/2013	\$ 40,000,000	\$ 35,800,000	\$	\$ 28,125,000	\$ 7,675,000
11/29/05 B	3.75-5.0%	5/1/2030	65,000,000		65,000,000	1,800,000	63,200,000
11/29/05 C	3.75-5.0%	5/1/2017	<u>28,224,898</u>		<u>28,224,898</u>	<u>150,000</u>	<u>28,074,898</u>
			<u>\$133,224,898</u>	<u>\$ 35,800,000</u>	<u>\$ 93,224,898</u>	<u>\$ 30,075,000</u>	<u>\$ 98,949,898</u>

⁽¹⁾Original maturity date on refunded portion:
Series A 8/1/2027

⁽²⁾Redeemed current year to refunded bond escrow agent:
Series A \$27,175,000

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2006, are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2007	\$ 3,385,000	\$	\$ 4,153,295	\$ 7,538,295
2008	4,430,000		4,023,932	8,453,932
2009	4,420,000		3,875,908	8,295,908
2010	5,080,000		3,707,532	8,787,532
2011	5,750,000		3,514,295	9,264,295
2012-2016	23,700,961	9,274,039	14,426,170	47,401,170
2017-2021	13,643,937	3,441,063	11,572,750	28,657,750
2022-2026	18,270,000		7,946,750	26,216,750
2027-2030	20,270,000		2,623,250	22,893,250
Total Debt Service	98,949,898	<u>\$ 12,715,102</u>	<u>\$ 55,843,882</u>	<u>\$ 167,508,882</u>
Unamortized bond premium, net of costs(1)	6,406,098			
Unamortized bond deferred liability(2)	<u>(1,003,120)</u>			
Total	<u>\$ 104,352,876</u>			

(1) Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds issued in November, 2005 included a premium of \$8,227,031 and issuance costs of \$1,344,605. The net amount of \$6,882,365 is amortized using the straight-line method. Amortization of \$476,267 was recognized during the 2005-06 year.

(2) The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,048,716. Amortization of \$45,596 was recognized during the 2005-06 year.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 9 - OTHER ACCOUNTING DISCLOSURES:

A schedule of changes in long-term debt for the year ended June 30, 2006 is shown below:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Balance Due In One Year
General obligation bonds	\$ 35,800,000	\$ 93,224,898	\$ 30,075,000	\$ 98,949,898	\$ 3,385,000
General obligation bonds - accreted interest		5,938,710		5,938,710	
Bond premium, net of issuance cost		6,882,365	476,267	6,406,098	476,284
General obligation bonds-deferred liability		(1,048,716)	(45,596)	(1,003,120)	(45,596)
Certificates of participation	34,300,000			34,300,000	425,000
Capital leases	2,259,482		433,435	1,826,047	455,067
Supplemental employee retirement plan	2,108,488		760,753	1,347,735	760,753
	<u>\$ 74,467,970</u>	<u>\$ 104,997,257</u>	<u>\$ 31,699,859</u>	<u>\$ 147,765,368</u>	<u>\$ 5,456,508</u>

NOTE 10 – INTERNAL SERVICE ACTIVITY:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established an Internal Service Fund to account for and finance its risks of loss related to property and liability. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$10,000 for each property damage claim. The District participates in a JPA to provide excess insurance coverage above the member retained limit for property and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Funding is provided by transfers from the General Fund. Claims paid within the member retained limit during 2005-06 totaled \$19,858.

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, 2006

NOTE 10 – 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 2005-06 totaled \$113,612.

Claims Liability

At June 30, 2006, the District accrued the worker's compensation claims liability for run-off claims in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of future liability is estimated at \$1,431,672.

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

NOTE 11 - 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

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 2005-06 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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 2005-06 was 9.116% 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, 2006

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

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 <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2004	\$3,012,891	100%	\$2,311,991	100%
2005	2,919,339	100%	2,234,240	100%
2006	3,195,802	100%	2,152,880	100%

Alternative Retirement System (ARS)

Plan Description

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

Funding Policy

The District does not contribute any percentage based on the employee's gross earnings. An employee is required to contribute 7.5% of his or her gross earnings to the pension plan. Total contributions were made by the employees in the amount of \$463,767 during the fiscal year. The total amount of covered compensation was \$6,183,368. Contributions made by the employee vest immediately.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 12 – 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.

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, 2006, 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, 2006 was \$1,722,755. The estimated cost for 2006-07 is \$2,100,000.

LONG BEACH COMMUNITY-COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 13 – 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, 2006 is \$1,347,735. A third plan has been added, effective July 1, 2006, see Note 19B.

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 \$173,771 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 2008-09. The total remaining liability of \$1,173,964 has been reflected in these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 14 - 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 2005-06, the District refunded \$160,594 from local revenue to the Authority for corrections in tax calculations.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

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

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

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

	SELF 6/30/2006 <u>(Unaudited)</u>	SWACC 6/30/2006 <u>(Audited)</u>	PIPS 6/30/2005 <u>(Audited)</u>
Total assets	\$217,906,001	\$ 30,679,415	\$ 18,814,993
Total liabilities	<u>191,182,670</u>	<u>18,515,000</u>	<u>18,422,226</u>
Net assets	<u>\$ 26,723,331</u>	<u>\$ 12,164,415</u>	<u>\$ 392,767</u>
Total revenues	\$ 62,837,181	\$ 9,288,690	\$175,489,825
Total expenditures	<u>39,336,948</u>	<u>9,365,306</u>	<u>175,146,863</u>
Change in net assets	<u>\$ 23,500,233</u>	<u>\$ (76,616)</u>	<u>\$ 342,962</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 15 – FUNCTIONAL EXPENSES:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional	\$ 39,587,775	\$ 11,295,258	\$ 2,203,672	\$	\$	\$ 53,086,705
Academic Support	5,298,731	1,597,684	470,829			7,367,244
Student Services	10,282,555	3,114,638	975,524			14,372,717
Operation & Maintenance of Plant	3,921,941	1,187,976	2,731,734			7,841,651
Institutional Support	8,948,951	2,460,685	5,451,752			16,861,388
Community Services and Economic Development	2,440,136	739,130	1,365,852			4,545,118
Ancillary Services and Auxiliary Operations	3,307,972	1,145,338	5,699,217			10,152,527
Student Aid				26,507,419		26,507,419
Other Outgo	39,607	1,737,800	7,079,025			8,856,432
Depreciation Expense					2,879,259	2,879,259
Total	\$ 73,827,668	\$ 23,278,509	\$ 25,977,605	\$ 26,507,419	\$ 2,879,259	\$ 152,470,460

NOTE 16 – RESTATEMENT TO BEGINNING NET ASSETS:

The Associated Student Body Enterprises Fund beginning net assets was restated for \$236,087 to reflect reconciliation corrections between the previous years' accounts payable control accounts and subsidiary ledger that occurred during the implementation of a new general ledger software in 2003-04.

NOTE 17 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Award and Grants

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 17 - COMMITMENTS AND CONTINGENCIES: (continued)

B. Purchase Commitments

As of June 30, 2006, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$42,547,640. Projects will be funded through bond proceeds and State funding for capital outlay projects.

C. Litigation

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

NOTE 18 - SUBSEQUENT EVENTS:

A. GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement 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 for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement will also require that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

On January 24, 2006, the Board of Trustees approved the District's participation in the FUTURIS Public Entity Investment Trust. The Trust is an alternative for mitigating the unfunded liability required by GASB 45. As of June 30, 2006, the District has not made any contributions to the Trust.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 18 - SUBSEQUENT EVENTS: (continued)

B. 2005-06 Supplemental Employee Retirement Plan

On March 24, 2006, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees, effective July 1, 2006.

A total of 8 faculty and 1 management/confidential employee are participating. The District will pay benefits of \$135,075 annually through 2010-11, beginning July 2006 for a total liability of \$675,375.

SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2006

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>
Mr. Roberto Uranga	President	April 2008
Mr. Douglas Otto	Vice President	April 2008
Dr. Thomas J. Clark	Member	April 2010
Mr. Mark J. Bowen	Member	April 2010
Mr. Jeffrey A. Kellogg	Member	April 2010
Ms. Michelle Ernst	Student Trustee	May 2007

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, 2006

	General Funds		Special Revenue Funds		
	General Unrestricted	General Restricted	Child and Adult Development	Contract / Community Education	Veteran's Stadium Operation
ASSETS					
Cash in county treasury	\$ 2,513,948	\$ 1,132,051	\$ 50,248	\$ 594,224	\$ 1,526
Cash on hand and in banks	353,501				
Cash with trustee					
Investments					
Accounts receivable:					
Federal and State governments	9,717,284	3,221,604			
Miscellaneous	982,663	401,298	6,391	47,438	145,231
Due from Foundation	37,620				
Prepaid expenses	200,916				
TOTAL ASSETS	\$ 13,805,932	\$ 4,754,953	\$ 56,639	\$ 641,662	\$ 146,757
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable & accrued vacation	\$ 3,634,231	\$ 1,023,002	\$ 27,868	\$ 9,060	\$ 53,563
Amounts held in trust for others	40,780				
Due to other funds	2,961,324				
Deferred revenue	1,081,985	1,786,317			537
TOTAL LIABILITIES	7,718,320	2,809,319	27,868	9,060	54,100
FUND BALANCES					
Reserved for special purposes	237,607	1,945,634			
Designated for special purposes	5,021,098				
Undesignated	828,907		28,771	632,602	92,657
TOTAL FUND BALANCES	6,087,612	1,945,634	28,771	632,602	92,657
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,805,932	\$ 4,754,953	\$ 56,639	\$ 641,662	\$ 146,757

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	Debt Service Funds		Capital Project Funds			Total (Memorandum Only)
	Bond Interest and Redemption	COPS Debt Service	Capital Outlay Projects	Revenue Bond Construction	COPS Capital Projects	
ASSETS						
Cash in county treasury	\$ 3,901,423	\$ 2,699,793	\$ 3,395,722	\$ 71,120,854	\$	\$ 85,409,789
Cash on hand and in banks						353,501
Cash with trustee					494	494
Investments		9,513,597				9,513,597
Accounts receivable:						
Federal and State governments			658,818			13,597,706
Miscellaneous		40,601	30,978	1,129,700		2,784,300
Due from Foundation						37,620
Prepaid expenses						200,916
TOTAL ASSETS	<u>\$ 3,901,423</u>	<u>\$ 12,253,991</u>	<u>\$ 4,085,518</u>	<u>\$ 72,250,554</u>	<u>\$ 494</u>	<u>\$ 111,897,923</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable & accrued vacation	\$	\$	\$ 216,412	\$ 3,158,315	\$	\$ 8,122,451
Amounts held in trust for others						40,780
Due to other funds						2,961,324
Deferred revenue						2,868,839
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>216,412</u>	<u>3,158,315</u>	<u>-</u>	<u>13,993,394</u>
FUND BALANCES						
Reserved for special purposes	3,901,423					6,084,664
Designated for special purposes						5,021,098
Undesignated		12,253,991	3,869,106	69,092,239	494	86,798,767
TOTAL FUND BALANCES	<u>3,901,423</u>	<u>12,253,991</u>	<u>3,869,106</u>	<u>69,092,239</u>	<u>494</u>	<u>97,904,529</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,901,423</u>	<u>\$ 12,253,991</u>	<u>\$ 4,085,518</u>	<u>\$ 72,250,554</u>	<u>\$ 494</u>	<u>\$ 111,897,923</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General Funds		Special Revenue Funds		
	General Unrestricted	General Restricted	Child and Adult Development	Contract / Community Education	Veteran's Stadium Operation
Revenues					
Revenue limit sources:					
State apportionment	\$ 70,334,260	\$	\$	\$	\$
Federal sources	147,645	5,301,796	13,672		
Other state sources	4,838,305	7,103,673	94,948		
Other local sources	20,855,572	2,160,682	314,503	400,869	1,109,058
Total Revenues	<u>96,175,782</u>	<u>14,566,151</u>	<u>423,123</u>	<u>400,869</u>	<u>1,109,058</u>
Expenditures					
Academic salaries	42,112,759	2,744,409	52,694		
Classified Salaries	19,650,806	5,872,894	658,760	71,527	543,518
Employee benefits	19,166,991	2,151,733	247,182	16,947	87,538
Books and Supplies	1,216,066	789,265	48,271	3,665	47,331
Services and operating expenditures	7,896,719	1,946,503	8,127	200,458	203,969
Capital outlay	613,647	1,074,510	29,889		14,012
Student financial aid	21,669	530,596		10,000	
Debt service					
Total Expenditures	<u>90,678,657</u>	<u>15,109,910</u>	<u>1,044,923</u>	<u>302,597</u>	<u>896,368</u>
Excess (deficiency) of revenues over expenditures	<u>5,497,125</u>	<u>(543,759)</u>	<u>(621,800)</u>	<u>98,272</u>	<u>212,690</u>
Other Financing Sources (Uses)					
Bond proceeds					
Bond premium					
Payment to bond refunding escrow agent					
Interfund transfers in	594,871	1,484,902	625,600	9,304	
Interfund transfers out	(4,925,460)	(574,342)		(29,833)	(100,000)
Total Other Financing Sources (Uses)	<u>(4,330,589)</u>	<u>910,560</u>	<u>625,600</u>	<u>(20,529)</u>	<u>(100,000)</u>
Net change in fund balance	1,166,536	366,801	3,800	77,743	112,690
Fund Balance, at Beginning of Year	<u>4,921,076</u>	<u>1,578,833</u>	<u>24,971</u>	<u>554,859</u>	<u>(20,033)</u>
Fund Balance, End of Year	<u>\$ 6,087,612</u>	<u>\$ 1,945,634</u>	<u>\$ 28,771</u>	<u>\$ 632,602</u>	<u>\$ 92,657</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	Debt Service Funds		Capital Project Funds			Total (Memorandum Only)
	Bond Interest and Redemption	COPS Debt Service	Capital Outlay Projects	Revenue Bond Construction	COPS Capital Projects	
Revenues						
Revenue limit sources:						
State apportionment	\$	\$	\$	\$	\$	\$ 70,334,260
Federal sources						5,463,113
Other state sources	80,518		3,762,325			15,879,769
Other local sources	6,862,749	558,872	82,658	2,264,679	5,518	34,615,160
Total Revenues	<u>6,943,267</u>	<u>558,872</u>	<u>3,844,983</u>	<u>2,264,679</u>	<u>5,518</u>	<u>126,292,302</u>
Expenditures						
Academic salaries						44,909,862
Classified Salaries				39,605		26,837,110
Employee benefits				15,046		21,685,437
Books and Supplies				131,746		2,236,344
Services and operating expenditures		91,847	100,723	6,280,710		16,729,056
Capital outlay			4,012,644	16,795,022		22,539,724
Student financial aid						562,265
Debt service	6,858,959	931,391				7,790,350
Total Expenditures	<u>6,858,959</u>	<u>1,023,238</u>	<u>4,113,367</u>	<u>23,262,129</u>	<u>-</u>	<u>143,290,148</u>
Excess (deficiency) of revenues over expenditures	<u>84,308</u>	<u>(464,366)</u>	<u>(268,384)</u>	<u>(20,997,450)</u>	<u>5,518</u>	<u>(16,997,846)</u>
Other Financing Sources (Uses)						
Bond proceeds	22,705,348			70,519,550		93,224,898
Bond premium	8,227,031					8,227,031
Payment to bond refunding escrow agent	(28,223,716)					(28,223,716)
Interfund transfers in			848,289			3,562,966
Interfund transfers out					(211,974)	(5,841,609)
Total Other Financing Sources (Uses)	<u>2,708,663</u>	<u>-</u>	<u>848,289</u>	<u>70,519,550</u>	<u>(211,974)</u>	<u>70,949,570</u>
Net change in fund balance	2,792,971	(464,366)	579,905	49,522,100	(206,456)	53,951,724
Fund Balance, at Beginning of Year	<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>43,952,805</u>
Fund Balance, End of Year	<u>\$ 3,901,423</u>	<u>\$ 12,253,991</u>	<u>\$ 3,869,106</u>	<u>\$ 69,092,239</u>	<u>\$ 494</u>	<u>\$ 97,904,529</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - PROPRIETARY FUNDS

June 30, 2006

	Enterprise Fund	Internal Service Fund
	Associated Student Body Enterprises	Self Insurance
<u>Assets</u>		
Cash in county treasury	\$	\$ 231,787
Cash on hand and in banks	470,893	
Accounts receivable:		
Miscellaneous	158,651	3,759
Inventories	972,366	
Prepaid expenditures	2,346	
Furniture and equipment, net	548,056	
Total Assets	\$ 2,152,312	\$ 235,546
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 202,677	\$ 1,656
Compensated absences	66,860	
Total Liabilities	269,537	1,656
 Net Assets	 1,882,775	 233,890
 Total Liabilities and Net Assets	 \$ 2,152,312	 \$ 235,546

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, 2006

	Enterprise Fund	Internal Service Fund
	Associated Student Body Enterprises	Self Insurance
Operating Revenues		
Sales revenues	\$ 6,608,097	\$
Other operating revenues	103,011	119,284
Total Operating Revenues	<u>6,711,108</u>	<u>119,284</u>
 Operating Expenditures		
Classified salaries	1,256,231	36,817
Employee benefits	573,992	14,727
Books and supplies	4,839,321	759
Services and other operating expenditures	225,114	608,390
Depreciation	96,699	
Total Operating Expenses	<u>6,991,357</u>	<u>660,693</u>
Operating Loss	(280,249)	(541,409)
 Non-operating Revenues		
Interest income	1,319	8,582
Total Non-operating Revenues	<u>1,319</u>	<u>8,582</u>
Net loss before operating transfers	(278,930)	(532,827)
 Operating Transfers from Other Funds		
Operating transfers in	150,000	630,000
Total Operating Transfers from Other Funds	<u>150,000</u>	<u>630,000</u>
Change in net assets	(128,930)	97,173
 Net assets, beginning of year, as previously reported	1,775,618	136,717
Adjustment for restatement (See note 16)	236,087	
Net assets, beginning of year, as restated	<u>2,011,705</u>	<u>136,717</u>
 Net assets, end of year	<u>\$ 1,882,775</u>	<u>\$ 233,890</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - FIDUCIARY FUNDS

June 30, 2006

	Associated Student Body	Student Financial Aid	Retiree Benefits	Total (Memorandum Only)
<u>Assets</u>				
Cash in county treasury	\$	\$ 342,932	\$ 565,986	\$ 908,918
Cash on hand and in banks	2,197,641		500,647	2,698,288
Accounts receivable:				
Federal and state governments		67,202		67,202
Miscellaneous			8,728	8,728
Due from other funds	<u>276,243</u>		<u>2,685,081</u>	<u>2,961,324</u>
Total Assets	<u>\$ 2,473,884</u>	<u>\$ 410,134</u>	<u>\$ 3,760,442</u>	<u>\$ 6,644,460</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable & accrued liabilities	\$ 4,166	\$ 240,788	\$	\$ 244,954
Deferred revenue	111,077	47,823		158,900
Amounts held in trust for others	<u>325,095</u>			<u>325,095</u>
Total Liabilities	<u>440,338</u>	<u>288,611</u>	<u>-</u>	<u>728,949</u>
Fund Balances				
Restricted for special purposes		121,523		121,523
Designated for special purposes			3,760,442	3,760,442
Undesignated	<u>2,033,546</u>			<u>2,033,546</u>
Total Fund Balances	<u>2,033,546</u>	<u>121,523</u>	<u>3,760,442</u>	<u>5,915,511</u>
Total Liabilities and Fund Balances	<u>\$ 2,473,884</u>	<u>\$ 410,134</u>	<u>\$ 3,760,442</u>	<u>\$ 6,644,460</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

For the Fiscal Year Ended June 30, 2006

	Associated Student Body	Student Financial Aid	Retiree Benefits	Total (Memorandum Only)
Revenues				
Federal sources	\$	\$ 22,348,179	\$	\$ 22,348,179
Other state sources		3,448,631		3,448,631
Other local sources	<u>1,435,355</u>	<u> </u>	<u>2,701,102</u>	<u>4,136,457</u>
Total Revenues	<u>1,435,355</u>	<u>25,796,810</u>	<u>2,701,102</u>	<u>29,933,267</u>
Expenditures				
Employee benefits			1,722,754	1,722,754
Services and other operating expenditures	625,936			625,936
Student financial aid	<u> </u>	<u>25,945,153</u>	<u> </u>	<u>25,945,153</u>
Total Expenditures	<u>625,936</u>	<u>25,945,153</u>	<u>1,722,754</u>	<u>28,293,843</u>
Excess (deficiency) of revenues over expenditures	<u>809,419</u>	<u>(148,343)</u>	<u>978,348</u>	<u>1,639,424</u>
Other Financing Sources (Uses)				
Interfund transfers in		148,343	1,500,300	1,648,643
Interfund transfers out	<u>(150,000)</u>	<u> </u>	<u> </u>	<u>(150,000)</u>
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>148,343</u>	<u>1,500,300</u>	<u>1,498,643</u>
Net change in fund balance	659,419	-	2,478,648	3,138,067
Fund Balances at Beginning of Year	<u>1,374,127</u>	<u>121,523</u>	<u>1,281,794</u>	<u>2,777,444</u>
Fund Balances - End of Year	<u>\$ 2,033,546</u>	<u>\$ 121,523</u>	<u>\$ 3,760,442</u>	<u>\$ 5,915,511</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, 2006

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Federal Categorical Aid Programs:			
Student Financial Aid Cluster			
Department of Education			
Direct:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	n/a	\$ 771,158
Administrative Allowance - Campus Based Programs	84.000	n/a	105,607
Federal Work Study	84.033	n/a	598,520
Administrative Allowance - FWS	84.033	n/a	38,885
Pell	84.063	n/a	18,256,144
William D, Ford. Direct Loan Program	84.268	n/a	2,779,374
Subtotal Department of Education			<u>22,549,688</u>
Department of Health and Human Services			
Direct:			
Scholarships for Disadvantaged Students	93.925	n/a	85,350
Scholarship for Disadvantaged Nursing Students	93.364	n/a	314,001
Subtotal Department of Health and Human Services			<u>399,351</u>
Total Student Financial Aid Cluster			<u>22,949,039</u>
TRIO Cluster			
Department of Education			
Direct:			
Student Support Services-Project Launch	84.042A	n/a	327,802
Upward Bound	84.047A	n/a	566,958
Total TRIO Cluster			<u>894,760</u>
Department of Agriculture			
Direct:			
Providing Latinos with Agriculture & Nursery Technology Success Project	10.223	n/a	55,525
Child Nutrition Program	10.558	n/a	13,672
Subtotal Direct Programs			<u>69,197</u>
Pass-Through Program from State of California:			
Nutrition Network Grant	10.561	(1)	86,052
Total Department of Agriculture			<u>155,249</u>
Department of Housing and Urban Development			
Direct:			
Hispanic Serving Institutions Assisting Communities (HUD)	14.514	n/a	186,717
Department of Labor			
Direct:			
Title I Workforce Investment Act, Construction Apprenticeship Program	17.258	n/a	437,190
Pass-Through Program from City of Long Beach :			
Workforce Investment Act, Healthcare Collaborative	17.258	(1)	100,415
Pass-Through Program from Chancellor's Office:			
Workforce Investment Act, Nursing Initiative Chancellor's Office	17.258	(1)	145,248
Pass-Through Program from Long Beach Memorial Hospital:			
Workforce Investment Act, Long Beach Memorial Nursing	17.258	(1)	22,062
Workforce Investment Act, Long Beach Nurse Training	17.258	(1)	4,486
Subtotal Indirect Programs			<u>272,211</u>
Total Department of Labor			<u>709,401</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, 2006

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Small Business Development Center			
Direct:			
Small Business Development Center (SBCD)	59.037	n/a	<u>650,345</u>
Office of Emergency Services			
Pass-Through Program from the California Office of Emergency Services:			
Federal Emergency Management Assistance (FEMA)	83.544	(1)	<u>29,652</u>
Department of Education			
Direct:			
Title V: Strengthen Success and Transfer			
Latinos Excellence in Academic Program (LEAP)	84.031S	n/a	404,984
Project Management	84.031S	n/a	47,352
Strengthening Student Learning Outcome Success & Transfer	84.031S	n/a	321,966
Veteran's Education	84.065	n/a	<u>3,153</u>
Subtotal Direct Programs			<u>777,455</u>
Pass-Through Program from California Community College Chancellor's Office:			
VTEA Title IC	84.048	(1)	964,030
VTEA Tech Prep	84.243	(1)	<u>75,250</u>
Subtotal Pass-Through Program from California Community College Chancellor's Office			<u>1,039,280</u>
Total Department of Education			<u>1,816,735</u>
Department of Health and Human Services			
Pass-Through Program from California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	<u>250,344</u>
Corporation for National and Community Service (CNCS)			
Direct:			
Americorps National Service Awards	94.006	n/a	<u>198,702</u>
Total Federal Grants			<u>\$ 27,840,944</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Long Beach Community College District had the following loan balance outstanding as of 6/30/06:			
Perkins Program	84.038		<u>\$ 2,184,948</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, 2006

Program Name	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
State Categorical Aid Programs:								
Advance Transportation Technology Training	\$ 178,875	\$ -	\$ 178,875	\$ 150,255	\$ 28,620	\$ -	\$ 178,875	\$ 178,875
Block Grant - One-Time	482,269	210,666	692,935	671,826	40,100	390,414	321,512	321,512
Board of Governors Financial Assistant Program (BFAP)	919,278	-	919,278	844,662	74,616	-	919,278	919,278
CalWORKS	1,238,270	-	1,238,270	982,810	255,460	-	1,238,270	1,238,270
Cooperative Agencies Resources for Education (CARE)	2,677	-	2,677	2,677	-	-	2,677	2,677
Center for Trade Development	178,875	-	178,875	150,255	28,620	-	178,875	178,875
Disabled Student Program & Services (DSPS)	1,050,092	-	1,050,092	966,179	83,913	-	1,050,092	1,050,092
DPSS Calworks Supplement	260,775	-	260,775	222,962	37,813	-	260,775	260,775
DPSS Career in Childcare	155,898	-	155,898	144,678	11,220	-	155,898	155,898
Enrollment Growth Nursing	9,412	49,411	58,823	58,823	-	-	58,823	58,823
Extended Opportunities Program and Services (EOPS)	946,876	-	946,876	789,911	156,965	-	946,876	946,876
Early Start to Emancipation Preparation (ESTEP)	10,917	-	10,917	1,463	9,454	-	10,917	10,917
Foster Care	128,483	-	128,483	107,182	21,301	-	128,483	128,483
Independent Living Program (ILP)	17,208	-	17,208	3,445	13,763	-	17,208	17,208
Kinship Education Preparation Support (KEPS)	18,262	-	18,262	18,262	-	-	18,262	18,262
Lottery	649,389	370,841	1,020,230	621,219	399,011	677,384	342,846	342,846
Model Approach to Partnership in Parenting (MAPP)	29,910	-	29,910	10,942	18,969	-	29,911	29,911
Matriculation - Credit	816,099	-	816,099	742,531	73,568	-	816,099	816,099
Matriculation - Non-Credit	181,267	-	181,267	166,765	14,502	-	181,267	181,267
Staff Diversity	22,110	27,363	49,473	48,072	3,784	29,745	22,111	22,111
Telecommunications & Technology Infrastructure Program (TTIP):								
TTIP Grant	48,662	167,200	215,862	215,862	-	167,200	48,662	48,662
TTIP - Library Automation	36,697	19,531	56,228	56,228	-	14,324	41,904	41,904
TTIP - Total Cost of Ownership (TCO)	15,635	44,276	59,911	59,911	-	59,911	-	-
Workplace Learning Resource	178,875	-	178,875	150,255	28,620	-	178,875	178,875
Total State Programs	\$ 7,576,811	\$ 889,288	\$ 8,466,099	\$ 7,168,913	\$ 1,318,561	\$ 1,338,978	\$ 7,148,496	\$ 7,148,496

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, 2006

	Revised Annual FTES Claimed by District*
<u>Full Time Equivalent Students</u>	
A. Credit Full-Time Equivalent Students	
Weekly census	13,743.36
Daily census	2,522.92
Actual hours of attendance	607.37
Independent study/work experience	140.29
Summer intersession	598.18
Total	<u>17,612.12</u>
B. Non-Credit FTES	
Actual hours of attendance	983.40
Summer intersession	210.56
Total	<u>1,193.96</u>
C. Basic Skills Courses	
Credit	1,227.53
Non-Credit	772.37
Total	<u>1,999.90</u>
D. In-Service Training Courses	<u>423.20</u>
 <u>Gross Square Footage</u>	
Existing Facilities	<u>1,087,608</u>
 <u>FTES in Leased Facilities</u>	
	<u>814.00</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, 2006

The audit resulted in no adjustments to the fund balances reported on the June 30, 2006 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) 2007</u>		<u>2006</u>		<u>2005</u>		<u>2004*</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
GENERAL FUND (COMBINED):								
Revenue								
Federal	\$ 6,025,828	4.8	5,449,441	4.9	\$ 3,334,737	3.3	\$ 3,879,993	3.5
State	97,572,543	77.6	82,276,238	73.9	73,438,434	71.7	57,511,798	51.8
County and Local	24,891,708	19.8	23,016,254	20.7	28,487,012	27.8	39,084,254	35.2
Other Financing Sources	1,393,343	1.1	2,079,773	1.9	2,161,692	2.1	2,442,441	2.2
Total Revenue	<u>129,883,422</u>	<u>103.3</u>	<u>112,821,706</u>	<u>101.4</u>	<u>107,421,875</u>	<u>104.9</u>	<u>102,918,486</u>	<u>92.7</u>
Expenditures								
Academic Salaries	48,748,912	38.8	44,857,168	40.3	40,987,881	40.1	42,167,930	37.9
Classified Salaries	26,722,013	21.2	25,523,700	22.9	24,814,358	24.2	26,283,778	23.6
Employee Benefits	23,194,308	18.4	21,318,724	19.2	20,299,778	19.8	18,440,363	16.6
Supplies and Materials	2,854,548	2.3	2,005,331	1.8	1,921,159	1.9	2,169,482	2.0
Other Operating Expenses and Services	13,499,470	10.7	9,843,222	8.9	8,416,842	8.2	6,523,098	5.9
Capital Outlay	3,082,838	2.5	1,688,157	1.5	1,750,333	1.7	1,996,034	1.8
Debt Service	-	0.0	-	0.0	-	0.0	1,274,668	1.2
Other Uses	7,635,148	6.1	6,052,067	5.4	4,165,130	4.1	12,227,008	11.0
Total Expenditures	<u>125,737,237</u>	<u>100.0</u>	<u>111,288,369</u>	<u>100.0</u>	<u>102,355,481</u>	<u>100.0</u>	<u>111,082,361</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ 4,146,185</u>	<u>3.3</u>	<u>\$ 1,533,337</u>	<u>1.4</u>	<u>\$ 5,066,394</u>	<u>4.9</u>	<u>\$ (8,163,875)</u>	<u>(7.3)</u>
Restatement of Fund Balance	<u>\$ -</u>		<u>\$ -</u>		<u>\$ (1,471,240)</u>		<u>\$ -</u>	
Ending Fund Balance	<u>\$ 12,179,431</u>	<u>9.7</u>	<u>\$ 8,033,246</u>	<u>7.2</u>	<u>\$ 6,499,909</u>	<u>6.4</u>	<u>\$ 2,904,755</u>	<u>2.6</u>
Available Reserve Balance (1)	<u>\$ 6,460,562</u>	<u>5.1</u>	<u>\$ 4,302,185</u>	<u>3.9</u>	<u>\$ 4,202,165</u>	<u>4.1</u>	<u>\$ 1,605,066</u>	<u>1.4</u>
Full-time Equivalent Students (2)	<u>21,055</u>		<u>18,806</u>		<u>20,923</u>		<u>20,450</u>	
Total Long-Term Debt	<u>\$ 142,658,933</u>		<u>\$ 148,765,368</u>		<u>\$ 74,467,970</u>		<u>\$ 78,191,329</u>	

IMPORTANT NOTES:

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

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

See the Management Suggestion on stabilization on page 71.

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, 2006

	General Fund (Combined)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 1,190,208	\$ 774,302	\$ (415,906)
Temporary Assistance for Needy Families (TANF)	250,000	250,344	344
Veterans Education	79,448	-	(79,448)
Vocational and Technical Education Act	886,364	1,039,280	152,916
Other Federal Revenue	2,654,951	3,385,515	730,564
Revenue from State Sources			
General Apportionments	60,443,813	70,334,260	9,890,447
Categorical Apportionments	7,277,804	6,760,826	(516,978)
Other State Revenues	8,462,049	5,181,152	(3,280,897)
Revenue from Local Sources			
Property Taxes	16,775,000	12,492,564	(4,282,436)
Interest and Investment Income		380,311	380,311
Student Fees and Charges	8,049,671	7,680,517	(369,154)
Other Local Revenue	3,762,366	2,462,862	(1,299,504)
TOTAL REVENUES	<u>109,831,674</u>	<u>110,741,933</u>	<u>910,259</u>
EXPENDITURES			
Academic Salaries	43,496,606	44,857,168	(1,360,562)
Classified Salaries	25,461,193	25,523,700	(62,507)
Employee Benefits	21,431,764	21,318,724	113,040
Supplies and Materials	2,643,499	2,005,331	638,168
Other Operating Expenses & Services	10,233,286	9,843,222	390,064
Capital Outlay	2,682,783	1,688,157	994,626
TOTAL EXPENDITURES	<u>105,949,131</u>	<u>105,236,302</u>	<u>712,829</u>
Excess of revenues over expenditures	<u>3,882,543</u>	<u>5,505,631</u>	<u>1,623,088</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	2,157,675	2,079,773	(77,902)
Interfund Transfers Out	(5,427,980)	(5,499,802)	(71,822)
Other Uses	(406,645)	(552,265)	(145,620)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,676,950)</u>	<u>(3,972,294)</u>	<u>(295,344)</u>
Excess of revenues over expenditures and other sources (uses)	<u>\$ 205,593</u>	<u>1,533,337</u>	<u>\$ 1,327,744</u>
Fund Balance at Beginning of Year		<u>6,499,909</u>	
Fund Balance at End of Year		<u>\$ 8,033,246</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, 2006

NOTE 1 - PURPOSE OF SCHEDULES:

A. Combining Fund Financial Statements

Combining 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, 2006 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.

C. 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.

D. 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.

E. 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, 2006**

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. 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	1,124,788
Capital Outlay	385,642
Financial Aid	21,669
Interfund Transfers Out	209,773
Restricted General Fund:	
Academic Salaries	235,774
Classified Salaries	318,791
Employee Benefits	30,445
Other Operating Expenses and Services	49,124
Financial Aid	123,951
Child and Adult Development Fund:	
Academic Salaries	3,744
Revenue Bond Construction Fund:	
Classified Salaries	39,605
Employee Benefits	15,046

LONG BEACH COMMUNITY COLLEGE DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2006**

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

Contract/Community Education Fund:	
Other Operating Expenses and Services	34,867
Other Student Aid	10,000
Interfund Transfers Out	7,282
Veteran's Stadium Fund:	
Classified Salaries	63,944
Capital Outlay	557
Bond Interest and Redemption Fund:	
Debt Interest and Other Service Charges	2,916,076

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

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MARY ANN QUAY

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Principal

JERI A. WENGER

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JANETTE CAMPS

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

TINA HENTON

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, 2006, and have issued our report thereon dated October 20, 2006. 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 06-2, 06-3 and 06-5.

**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 06-1 and 06-4.

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
VICENTI, LLOYD & STUTZMAN LLP

October 20, 2006



**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

PETER F. GAUTREAU
RENÉE S. GRAVES
WADE N. McMULLEN
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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, 2006. 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, 2006. 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 as item 06-6.

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 06-6.

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 do not believe the reportable condition described above, is a material weakness.

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

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
VICENTI, LLOYD & STUTZMAN LLP

October 20, 2006



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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, 2006, and have issued our report thereon dated October 20, 2006.

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 2006 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 the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- 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 (DSP&S) accounts unless their activities require them to perform additional functions for the EOPS or DSP&S program which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether 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 and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.
- Whether the District completed the noncredit course self assessment as requested in April, 2005.

REPORT ON STATE COMPLIANCE

In our opinion, except for finding 06-1 as 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
VICENTI, LLOYD & STUTZMAN LLP

October 20, 2006

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2006

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>
84.007, 84.033, 84.063, 84.038 and 93.925 84.031S 94.006	Student Financial Assistance Cluster of Programs Title V, Strengthening Success and Transfer Americorps

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 835,228

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, 2006

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

FINDING 06-1 – STATE COMPLIANCE – MATERIAL FEES

Original Finding 05-3

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. We noted one course, Computer Applications and Office Technologies (CAOTC 246), where the fee charged exceeded the cost of materials by \$5.

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: The District has reviewed a sampling of courses with materials fees and made fee adjustments, as necessary. Recommended fee adjustments are presented to the Board of Trustees for approval. As an example, on December 12, 2006 the Board reduced the materials fees for CAOTC 42B, Desktop Publishing – Small Business from \$10.00 to \$2.00. The Board also eliminated the materials fee for CAOTO Business English. To ensure that all materials fees meet state compliance requirements, the District will conduct a review of all courses with materials fees and maintain auditable documentation.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2006

FINDING 06-2 – INFORMATION SYSTEM –INTERNAL CONTROLS

Original Finding 05-4

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. Although last year's District response indicated a Disaster Recovery Plan would be in place during 2005-06, it has not been implemented.
- 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. Last year's District response indicated these procedures will be incorporated to the formal Disaster Recovery Plan referenced in item i.
- iii. 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, 2006

FINDING 06-2 – 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. Complete and publish a three-year strategic plan. Prioritize the plans projects, allocate resources, and updated the plan annually.

District Response:

- i. Academic Computing & Instructional Technology (ACIT) has developed a disaster backup framework as part of the college technology master plan. A second data center is being built as part of the new Library/Learning Resource Center currently under construction at the Pacific Coast Campus. This second data center will provide real time remote data backup and relocation of services from the Liberal Arts Campus to the Pacific Cost Campus for uninterrupted services in case of an emergency. This framework will be formally documented in the final emergency procedures during 2006-07.
- ii. ACIT has developed a backup and restore methodology for all production systems. During 2006-07 this plan of action was put in practice when a power outage damaged one of the production PeopleSoft database servers. The database was restored and service reestablished with no data loss. These procedures have been proven and will be incorporated into the formal Backup and Disaster Recovery Plan.
- iii. The Technology Planning Committee is currently updating the Technology Master Plan to align it with the recently developed Educational Master Plan for the college. The Technology Planning Committee expects to have the plan completed and submitted to the Educational Master Plan Committee in March 2007.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2006

FINDING 06-3 – INTERNAL CONTROLS –
ASSOCIATED STUDENT BODY (ASB) AND
ASSOCIATED STUDENT BODY ENTERPRISES (ASBE)

Original Finding 05-5

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

- i. Safeguarding of Cash (ASB) - Cash drawers used by the ASB should be adequately safeguarded and individual accountability should be maintained. Currently, the cash register used in the ASB office is used by the two ASB employees, when not in use, the drawer is not kept locked to prevent theft or misuse. In the event of a shortage, it would be difficult to determine who is responsible for the shortage.
- ii. Safeguarding of Cash (ASBE) - Money turned in by bookstore cashiers should be verified in dual custody. In the event of a large variance it would be difficult to determine who is responsible for the shortage.

Recommendation:

- i. 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.
- ii. Implement procedures to maintain individual accountability.

District Response:

- i. Procedures will be implemented to remove and store the key for the cash register in a safe location when not in use.
- ii. To verify cash bag contents, the ASBE will evaluate available options which include procedures to count cash under dual custody and electronic verification using our point-of-sale system.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2006

FINDING 06-4 – ASSOCIATED STUDENT BODY ENTERPRISES (ASBE) –
ARTICLES OF INCORPORATION

Finding: Tax exempt status should be obtained from the State of California (the State). During the preparation of the ASBE's 2005 Federal informational tax return (Form 990), it was brought to our attention that the organization has not obtained an exemption letter from the State. Additionally, a letter from the State, dated February 10, 2006, has been received indicating their records do not show they have granted the organization exemption from tax. The ASBE was formed in 1968 and a determination letter from the Internal Revenue Service was obtained; however, management assumes that the application for exemption with the State has not been filed. At this time, current management is questioning the exempt status of the ASB & ASBE. Legal counsel has been consulted in regards to this area and a recommendation letter, dated June 14, 2006, was issued. A nonprofit organization is not exempt from tax until the organization files an application and the State issues a letter granting exemption. Considering the organization's current status and when it was formed, a potentially significant liability exists for taxes payable and penalties.

Recommendation: Continue consultation with legal council to resolve the exempt status of the organization. Regardless, the organization should file the exemption application.

District Response: On December 12, 2006, the LBCC Board of Trustees approved the administrative regulations for the ASBE to reorganize as an auxiliary. The Articles of Incorporation were signed on December 13, 2006. The ASBE is currently being reorganized as an Auxiliary, and we should have the process completed by June 30, 2007.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2006

FINDING 06-5 – ASSOCIATED STUDENT BODY ENTERPRISES (ASBE) –
INTERNAL CONTROLS OVER FIXED ASSETS

Finding: Recommended improvements to internal controls over fixed assets include:

- Requiring an approval from the formal governing board for disposal of fixed assets or the donation of fixed assets.
- Establishing written policies that permit the accounting department personnel to:
 - Distinguish between capital items and repairs and maintenance expenses.
 - Determine a cutoff amount below which items are expensed.
 - Establish depreciable life.
 - Determine the fair value of contributed property and equipment and collections.
- Properly identify equipment by numbered tags or other means of identification.
- Periodically perform a physical inventory of property and compare equipment purchased with the General Ledger.

Based on responses to the internal control questionnaire, procedures are not in place for any of the above suggested controls. Weaknesses in internal controls represent opportunities for misappropriation of the organization's assets and for misstatement of financial records.

Recommendation: Review procedures related to fixed assets to determine additional safeguards that should be implemented to strengthen the internal controls and to ensure the value of fixed assets reported on the financial statements is fairly stated.

District Response: Procedure for disposal of equipment is described in the LBCC Associated Student Body Enterprises Policy Manual, Section 6529. This policy will be amended to include:

- Approval of the formal governing board for the disposal or the donation of fixed assets.
- The ASBE will adopt the District policies regarding the definition of capital items and depreciation schedules.
- All computers, software, furniture, machinery and fixtures will be identified numerically with permanently affixed tags. At a minimum, a bi-annual physical inventory of fixed assets will be performed.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2006

FINDING 06-6 – FEDERAL WORK STUDY
PAYROLL DOCUMENTATION

Federal Program: Federal Work Study
Federal Catalog Number: 84.033

Original Finding 05-6

Finding: Time cards for Federal Work Study (FWS) students should be signed by the employee and their immediate supervisor. A review of a sample of student time cards indicated that signatures were not present and supervisors' signatures were inconsistent from department to department. District policy acknowledges the Time and Reporting System (TARS) electronic authorization as the official record, however, the District's policy does not address the issue of signatures on Federal Work Study time cards. The policy does require that time cards are maintained. The Federal Student Financial Aid Handbook requires that certification must be signed by the student's supervisor, an official of the school or off-campus agency as appropriate. A memo was sent to FWS Supervisors in April 2006 regarding timekeeping requirements. Our review of time cards for the months of May and June 2006 determined that new procedures had not been fully implemented.

Questioned Cost: Questioned costs have not been quantified because we do not believe there is evidence that employees are being charged inappropriately to the above mentioned program; however, the District should be aware that if a federal audit was to occur, funding could be in jeopardy.

Recommendation: Continue with implementation of new procedures related to FWS timekeeping requirements and ensure all departments are complying with the requirements.

District Response: The new LBCC policy and procedures have been fully implemented in 2006-07. At the time of the auditor's review, it was discovered that one area of the college had not complied with the new LBCC policy of signing timesheets for Federal Work Study students. The affected department was contacted, and it subsequently supplied all of the missing timesheets from May and June 2006 with appropriate signatures.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**MANAGEMENT SUGGESTION
STABILIZATION FUNDING**

June 30, 2006

In 2006, the District reviewed stabilization funding due to declining enrollment. The District has assumed in its 2006-07 budget (page 50) that sufficient Full Time Equivalent Students (FTES) will be generated to earn full restoration funding, as well as 50% of fundable growth based on its implementation of the Enrollment Management Plan. The District must continue to closely monitor the impact to available general operating funds should enrollment continue to decline. In addition, the District should begin to consider strategies to deal with the economic impact should this occur, including cost containment for all programs and feasibility of negotiated settlements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
05-1	<p><u>CERTIFICATES OF PARTICIPATION</u></p> <p>Original Finding 04-3</p> <p>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.</p>	<p>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.</p>	Implemented.
05-2	<p><u>STATE COMPLIANCE – EOPS</u></p> <p>In accordance with California Code of Regulations, 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.</p>	<p>Plan and hold EOPS Advisory Committee meetings at least once each academic year.</p>	Implemented.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006**

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
05-3	<p><u>STATE COMPLIANCE – MATERIAL FEES</u></p> <p>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.</p>	<p>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.</p>	<p>Partially implemented. See current year finding 06-1.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

Finding No.	Finding	Recommendation	Current Status
05-4	<p><u>INFORMATION SYSTEM –INTERNAL CONTROLS</u></p> <p>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:</p>		
	<p>i. <u>Disaster Recovery</u>: 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.</p>	<p>i. Implement a written disaster recovery plan and review and update the plan at least annually.</p>	<p>Implementation in process. See current year finding 06-2.</p>
	<p>ii. <u>Backup and Recovery Capabilities</u>: 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.</p>	<p>ii. Plan a test of recovery capabilities and document the results of this test for use in implementation of the disaster recovery plan.</p>	<p>Not implemented. See current year finding 06-2.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

Finding No.	Finding	Recommendation	Current Status
05-4	<p><u>INFORMATION SYSTEM –INTERNAL CONTROLS (continued)</u></p> <p>iii. <u>Offsite Storage of Back up Tapes:</u> 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.</p>	<p>iii. Consider contracting with an outside vendor to provide offsite storage for back up.</p>	Implemented.
	<p>iv. <u>Information Technology Strategic Plan:</u> 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.</p>	<p>iv. Complete and publish a three-year strategic plan. Prioritize the plans projects, allocate resources, and updated the plan annually.</p>	Implementation in process. See current year finding 06-2.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

Finding No.	Finding	Recommendation	Current Status
05-5	<p><u>INTERNAL CONTROLS – ASSOCIATED STUDENT BODY (ASB) AND ASSOCIATED STUDENT BODY ENTERPRISES (ASBE)</u></p> <p>The following observations were noted in our review of ASB and ASBE procedures and controls:</p>		
	<p>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. Accurate reports are essential in determining the financial condition of the fund.</p>	<p>i. Research and reconcile the accounts payable account while continuing efforts to resolve issues with the software vendor.</p>	<p>Implemented. See note 16.</p>
	<p>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. Assess of check stock by unauthorized personnel could provide an opportunity for misappropriation of assets.</p>	<p>ii. Place checks in a secured location with access limited to authorized individuals.</p>	<p>Implemented.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

Finding No.	Finding	Recommendation	Current Status
05-5	<p><u>INTERNAL CONTROLS – ASSOCIATED STUDENT BODY (ASB) AND ASSOCIATED STUDENT BODY ENTERPRISES (ASBE)</u> (continued)</p>	<p>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.</p> <p>iv. 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.</p>	<p>Not implemented. See current year finding 06-3.</p>
	<p>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.</p>	<p>iv. Implement usage of locked zipper bags to maintain individual accountability.</p>	<p>Partially implemented. See current year finding 06-3.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2006

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
05-6	<p><u>FEDERAL WORK STUDY PAYROLL DOCUMENTATION</u></p> <p>Federal Program: Federal Work Study Federal Catalog Number: 84.033</p> <p>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.</p>	<p>Implement usage of standardized Federal Work Study time cards with an area for student and supervisor to sign.</p>	<p>Implementation in process. See current year finding 06-6.</p>

CONTINUING DISCLOSURE INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2006

Assessed valuation for fiscal year 2005-06	\$36,788,793,817	(2)
Secured tax levies for fiscal year 2005-06	\$ 8,006,049	(1)
Secured tax delinquencies for fiscal year 2005-06	\$ 832,386	(1)
Secured tax collections for fiscal year 2005-06	\$ 7,173,663	(1)

2005-06 Largest Local Secured Taxpayers

<u>Property Owner</u>	<u>Primary Use</u>	<u>2005-06 Assessed Valuation</u>	<u>% of Total</u>
1. The Boeing Company	Industrial	\$ 459,213,045	1.25%
2. AES Alamitos	Power Plant	288,300,000	0.78
3. Macerich Lakewood LLC	Shopping Center	274,952,752	0.75
4. Trizechahn Colony Square GP LLC/ Trizechahn Realty	Office Building	147,169,235	0.40
5. Arco Terminal Services Corp.	Industrial	140,259,437	0.38
6. GREIT One World Trade Center LP	Office Building	115,920,960	0.32
7. Camden Realty Inc.	Apartments	98,399,224	0.27
8. 350 Ocean Garage LLC	Commercial	72,169,306	0.20
9. Coventry Long Beach Plaza LLC	Shopping Center	71,481,853	0.19
10. 1900 Ocean Partners Holdings LLC	Apartments	70,487,300	0.19
11. Arden Realty Finance Partnership LP	Office Building	66,173,671	0.18
12. 200 Oceangate LLC	Office Building	59,300,000	0.16
13. Alamitos Bay Partnership	Hotel/Shopping Center	55,209,855	0.15
14. LBWTC Real Estate Partners LLC	Hotel	50,000,382	0.14
15. Essex Portfolio LP	Apartments	49,444,437	0.13
16. ASN City Place LLC	Commercial	45,504,150	0.12
17. California Drive In Theatres Inc.	Commercial	44,284,905	0.12
18. Pacific Castle Newport I LLC	Shopping Center	43,350,000	0.12
19. AHT SPE I LP	Hotel	35,327,473	0.10
20. Atlantic Richfield Co.	Industrial	35,193,790	0.10
Total		<u>\$2,222,141,775</u>	<u>6.04%</u>

2005-06 Local Secured Assessed Valuation: \$36,788,793,817

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

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