

LONG BEACH UNIFIED SCHOOL DISTRICT

LOS ANGELES COUNTY

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

June 30, 2007

LONG BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2007

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LONG BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Education
Long Beach Unified School District
1515 Hughes Way
Long Beach, California 90810

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds, and the aggregate remaining fund information of the Long Beach Unified School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of the Long Beach Unified School District as of June 30, 2007, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2007 on our consideration of the Long Beach Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Board of Education
Long Beach Unified School District

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements, but are 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 opinions on the financial statements that collectively comprise the Long Beach Unified School District basic financial statements. The management's discussion and analysis and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Long Beach Unified School District. The supplementary section, 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The management's discussion and analysis and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

December 6, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

This section of Long Beach Unified School District's annual financial report presents a **discussion and analysis** of the District's financial performance during the fiscal year ended June 30, 2007. Please read this special report in conjunction with the financial statements following this section.

BACKGROUND

On June 30 of 1999, the Governmental Accounting Standards Board (GASB) adopted Statement No. 34 on the subject of Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This action culminated ten years of deliberation, debate and compromise on a series of controversial changes. The new reporting model now applies to every school District that issues financial statements in compliance with Generally Accepted Accounting Principles (GAAP).

The GASB 34 model calls for financial statements, note disclosures and supplementary schedules to be included with the traditional auditors report certifying that the District has fairly presented its financial condition at the fiscal year-end (June 30).

THE INTENT OF GASB 34 CHANGES

There has been an emerging consensus about the need for public schools to implement financial reporting changes that promote improved fiscal and operational accountability. GASB 34 is a profound change in the way that state and local governments present and explain their financial condition. For the first time, the depreciation of assets is treated on both a short-term and a long-term basis.

There are two separate and equally important aspects of accountability. Understanding these two components provides an insight into the rationale for GASB 34.

- Fiscal accountability requires that Districts demonstrate compliance with public decisions concerning the generation and spending of public monies in the short term, which is usually the annual budgetary cycle.
- Operational accountability requires that the District explain how it has met and will continue to meet its operating needs in an efficient manner well into the future.

Although GASB 34 calls for significant enhancements in financial reporting, it does not abandon the traditional public-sector approach to fund accounting and fiscal disclosure. Rather, GASB 34 has integrated many of the most popular features of traditional financial reporting into its model. The requirements in GASB 34 are also designed to make annual reports easier for the public to understand. The standards are a substantial advance in the presentation of more meaningful and useful financial information by school Districts to their public constituencies.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Financial Highlights

1. Overall revenues and other financing sources totaled \$895.0 million or \$52.3 million more than expenditures.
2. The District decreased its outstanding long-term debt by \$9.0 million (-2.8%) due to debt service payments for the District's General Obligation Bonds and Certificates of Participation.
3. Overall the District's net assets increased by \$52.3 million or 12.8% over the course of the year.
4. The District's unfunded liability for workers' compensation decreased from over \$38 million in 2003-2004 to \$2.6 million at the end of 2006-2007.

Overview of the Financial Statements

This financial report is presented in three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the required supplementary information. The financial statements included herein present these different views of District finances:

The statements on pages 1 and 2 provide both short-term and long-term information about the District's overall financial status.

- The subsequent statements are fund financial statements that focus on individual components of the District, reporting in more detail on District-wide operations.
- The governmental activities statements tell how basic services such as regular instruction and supportive services were financed in the short-term as well as plans for future funding.
- Proprietary funds statements offer short- and long-term financial information about the activities that operate like a private enterprise, such as the Self-Insurance Fund.
- The fiduciary fund statement provides information about financial activities for which the District acts solely as a trustee or agent for the benefit of others, such as the Student Activities Funds at schools.

The financial statements also include notes that provide explanations or more detailed information. The financial statements comparing the District's General Fund budgeted to actual amounts for the year are supplemented by a narrative on significant variances starting on page vii (see page 54).

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

District-Wide Statements

Two District-wide statements report financial information using accounting methods similar to those used by private-sector companies. The statement of net assets summarizes the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when the cash is received or expenses paid.

The following District-wide statements report on the District's net assets and how they have changed during the 2006-07 fiscal year. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health.

Summary of Statement of Net Assets

	<u>As of</u> <u>6/30/2006</u>	<u>As of</u> <u>6/30/2007</u>	<u>Variance</u>
Non-Capital Assets	\$ 286,136,817	\$ 295,120,447	3.14%
Capital Assets	<u>579,476,742</u>	<u>583,400,570</u>	0.68%
Total Assets	<u>865,613,559</u>	<u>878,521,017</u>	1.49%
Current Liabilities	146,402,730	122,408,110	-16.39%
Long-term Liabilities	<u>310,085,549</u>	<u>294,659,082</u>	-4.97%
Total Liabilities	<u>456,488,279</u>	<u>417,067,192</u>	-8.64%
Invested In Capital Assets, Net of			
Related Debt	297,607,307	306,503,962	2.99%
Net Assets Legally Restricted	49,835,632	73,142,666	46.77%
Net Assets Unrestricted	<u>61,682,341</u>	<u>81,807,197</u>	32.63%
Total Net Assets	<u>\$ 409,125,280</u>	<u>\$ 461,453,825</u>	12.79%

- Over time, increases or decreases in net assets are an indicator of whether the District's financial position is improving or deteriorating.
- To assess the District's overall fiscal health, you need to consider additional non-financial factors such as changes in the District's property tax base, fixed assets, and the physical condition of school buildings and other facilities.

The change in capital assets is minimal this year, as two high school modernizations and one new elementary school were completed. No similarly large projects are in progress.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Current Liabilities were \$122.4 million at the end of 2006-2007, a 16.4% decrease from the end of 2005-2006. This decrease was largely due to the 2005-2006 accrual of a negotiated salary increase that was retroactive to the beginning of the year. Long term liabilities decreased 4.97% as bonds and Certificates of Participation were paid down through normal installment payments.

Unrestricted net assets increased partially due to the receipt of \$8.0 million in mandated cost revenues, related to claims over several years. Mandated costs claims are paid by the state when allocated in the State budget – in many cases years after the claims were filed. There was continued progress in funding the unfunded liabilities in the district's self-insurance fund, with the workers' compensation unfunded liability decreasing to \$2.6 million.

Summary of Statement of Activities

	<u>2005-06</u>	<u>2006-07</u>	<u>Variance</u>
Program Revenues	\$ 306,942,247	\$ 313,625,362	2.18%
General Revenues	<u>545,399,904</u>	<u>581,418,334</u>	6.60%
Total Revenues	<u>852,342,151</u>	<u>895,043,696</u>	5.01%
Instruction and Related Services	573,386,089	593,304,956	3.47%
Pupil Services	95,096,900	95,926,105	0.87%
General Administration	36,507,135	35,549,754	-2.62%
Ancillary, Community, and Enterprise Activities	9,389,165	9,558,283	1.80%
Plant Services	80,478,803	93,431,469	16.09%
Debt Service	14,254,293	14,324,710	0.49%
Other Outgo	<u>502,939</u>	<u>619,874</u>	23.25%
Total Expenses	<u>809,615,324</u>	<u>842,715,151</u>	4.09%
Change in Net Assets	42,726,827	52,328,545	22.47%
Net Assets, Beginning	<u>366,398,453</u>	<u>409,125,280</u>	
Net Assets, Ending	<u>\$ 409,125,280</u>	<u>\$ 461,453,825</u>	12.79%

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The health of the General Fund was responsible for the increase in restricted net assets. General fund revenues for grants and entitlements increased approximately \$24 million, primarily due to new block grant entitlements received during the year, but not yet expended.

The District's combined net assets increased to \$461.5 million or 12.8% during fiscal year 2006-2007. Depreciation reduced capital assets by \$12.9 million.

Revenue Limit (State income) accounted for \$516.2 million or 57.7% of the District's total revenue. Federal Revenue accounted for \$134.3 million or 15.0% of the District's total income. Other State Revenue accounted for \$204.9 million or 22.9% of the District's total income. The remainder of the District's revenue came from interest and other local sources. Revenues for the District's governmental activities (excluding Other Financing Sources/Uses) increased by 5.2% from fiscal year 2005-2006.

- The expense for all governmental activities during fiscal year 2006-2007 was \$842.7 million (see page iv and 2).
- Most of the District's expenses were financed by general revenues and special items of \$581.4 million (see page iv and 2).
- Revenue limit dollars increased over \$21.4 million in the General Fund compared to last year due to the 5.92% cost of living adjustment, combined with increases in equalization and deficit reduction funds. These increases were then offset by the decrease experienced from declining enrollment.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's operations, focusing on its most significant or "major" funds and not the District as a whole. Funds are accounting entities used by the District to track specific sources of funding and their related programmatic spending.

- Most fund designations are defined in state law and regulations
- The District establishes other funds to control and manage resources committed to particular purposes or to show that resources are properly used for certain categories of revenues.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The District operates three types of funds:

- **Governmental funds** (see page 3 and 5). Most of the District's basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other assets can readily be converted to cash flow and (2) the amount of funds remaining at year-end for subsequent year spending. Therefore, the governmental fund statements provide a detailed, short-term view to assist the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and activities.
- **Internal service funds** (see pages 7, 8 and 9). The District uses internal service funds to report proprietary activities that provide services to its other program activities. The District currently has one internal service fund – the Self-Insurance Fund.
- **Fiduciary funds** (see pages 10 and 11). The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds at schools. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets are entrusted. The District excludes these activities from the District-wide financial statements because it is prohibited from using these assets to finance its operations.

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balances of \$185.8 million, compared to last year's combined ending balances of \$166.6 million. The General Fund ending balance increased \$34.1 million between years, the Building Fund decreased \$5.8 million as projects neared completion, and other governmental funds decreased \$9.2 million, mainly due to a decrease in the County School Facilities Fund as these projects also neared completion.

During fiscal year 2006-2007, those funds where expenditures exceeded revenues were: Child Development (\$1.2 million), Cafeteria Fund (\$1.8 million), Deferred Maintenance (\$2.1 million), Building Fund (\$5.8 million) Capital Facilities (\$.5 million), and County School Facilities (\$14.9 million). Although the building funds had expenses in excess of revenues, the source of the payments was unspent bond or state revenues received in prior years. The Child Development fund required a contribution of general fund monies to cover current expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

General Fund Budgetary Highlights (see page 54)

Before describing major variances (+/-5%) between general fund revised budget and actual amounts, it is important to note that the District adds all revenue and appropriations for carryovers and categorical resources to its revised budget because multi-year expenditures had been planned for the subsequent fiscal year. This common practice tends to inflate both revenues and appropriations and leads to some of the variances explained herein.

Revenue

- Federal Revenue...the entire amount of grants and entitlements are budgeted, even though funding periods may have extended into the subsequent fiscal year. The federal fiscal year ends September 30. Unspent revenues are deferred and made available in 2007-2008 to continue program activities.
- Interest... is estimated conservatively for the original budget. The improvement in the economy led to increased interest rates, and more timely payments by the state, including new funding, resulted in higher interest income.
- Other Local Revenue... this category includes royalties and reimbursements from other agencies which are not appropriated.

Salary related expenditures

- Certificated Salaries...the district has been closely monitoring staffing levels and adjusting budget based on actual salary expenditures. The revised budget also included the negotiated salary increase for 2006-2007.
- Classified Salaries...the district continued its focus on controlling staffing levels and hourly assignments. This resulted in another year of decreased expenses compared to budget.
- Benefits including OPEB collections... The full effect of the district's revised health benefits plans was seen in 2006-2007, as health benefits expenditures leveled off due to plan improvements and a reduced number of enrollees roughly in line with the district's decreasing student count. The original budget did not include the cost of early implementation of GASB 45 – Other Post-Employment Benefits. The Annual Required Contribution for GASB 45 was met, based on the district's actuarial study dated July 2007 related to this liability.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Non-Salary related expenditures

- The district has consciously scrutinized non-salary expenditures to maintain a balanced budget. Books and supplies budgets include amounts that are being held in reserve.

Capital Assets and Long-Term Debt (See page 42)

Capital Assets

By the end of fiscal year 2006-2007, the District had invested \$912 million in a broad range of capital assets, including land, land improvements, buildings, vehicles, machinery and equipment. This amount represents an increase of \$16.8 million, or 1.9% from last year. Total depreciation expense for the year totaled \$12.9 million.

Long-Term Debt

At year-end, the District had \$312.1 million in long-term debt. General Obligation Bonds accounted for \$247.1 million, and outstanding Certificates of Participation totaled \$54.7 million. The remaining \$10.3 million represents the value of accumulated employee vacation time.

Economic Factors That May Affect the Future

The district continues to closely monitor spending within the General Fund. Reserves are at required levels, including the impact of early implementation of GASB 45 (Accounting for Post-Employment Benefits). District staff closely watches decisions made at the State level and adjusts discretionary spending levels as necessary or allowable during the year. Multi-year plans and projections are revised frequently to stay abreast of State budgets and district priorities.

Recent budget reductions or adjustments have more significantly affected central offices and support services than school sites. Financial planning for the coming years involves a system-wide review of all staffing and spending to take into account the district-wide effects of declining enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the reader with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Financial and Business Officer, 1515 Hughes Way, Long Beach, CA 90810.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

FUNDS AND DEFINITIONS OF ACCOUNTING TERMS

The General Fund is always reported as a major fund. Other governmental and enterprise funds are to be reported as **major funds** based on the following criteria:

- Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund (excluding extraordinary items) are at least 10% of the corresponding total for all funds of the same category (i.e. governmental or enterprise funds), and,
- Total assets, liabilities, revenues or expenditures of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Any other governmental or enterprise fund may be reported as a major fund if the governmental entity believes that it is particularly important to the readers of their financial statements.

General Fund: The fund used to finance the basic operations of a school District and to serve students in grades kindergarten through twelve. These resources are available for any legally authorized purpose of the District.

Building Fund: Established to hold funds generated for capital outlay projects. These resources may come from the sale of District facilities and property, from the sale of school District bonds, from the sale of bonds by the state government or from a transfer of funds from the General Fund.

FINANCIAL SECTION

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 185,394,474
Cash on hand and in banks	3,095,280
Cash in revolving fund	1,487,964
Cash collections awaiting deposit	25,918
Cash with fiscal agent	80,605
Investments	6,089,640
Accounts receivable:	
Federal and state governments	79,247,070
Local governments	293,865
Miscellaneous	10,844,965
Inventories	2,510,257
Prepaid expenditures	6,050,409
Land	112,026,634
Work in progress	8,084,520
Depreciable assets, net	<u>463,289,416</u>
Total Assets	<u>878,521,017</u>
 <u>Liabilities</u>	
Accounts payable and other current liabilities	45,059,373
Deferred revenue	2,396,942
Estimated liability for open claims and IBNR's	52,379,617
Current portion of long-term liabilities:	
Certificates of participation	3,920,000
General obligation bonds	5,350,000
General obligation bonds-accrued interest	5,081,772
Compensated absences	8,220,406
Non-current portion of long-term liabilities:	
Certificates of participation	50,825,000
General obligation bonds	241,765,000
Compensated absences	<u>2,069,082</u>
Total Liabilities	<u>417,067,192</u>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	306,503,962
Restricted for:	
Debt service	12,459,609
Educational programs	60,683,057
Unrestricted	<u>81,807,197</u>
Total Net Assets	<u>\$ 461,453,825</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 506,185,686	\$ 1,188,264	\$ 174,657,548	\$ 3,691,195	\$ (326,648,679)
Instruction - related services	87,119,270	212,086	38,008,141		(48,899,043)
Pupil services	95,926,105	6,730,899	59,208,638		(29,986,568)
Ancillary services	878,901	1,234	2,715		(874,952)
Community services	8,372,338	1,413	44,448		(8,326,477)
Enterprise activities	307,044	29,611	65,148		(212,285)
General administration	35,549,754	137,732	9,344,817		(26,067,205)
Plant services	93,431,469	1,526,050	13,975,828		(77,929,591)
Other outgoing	619,874	1,355,516	3,444,079		4,179,721
Debt service - interest	14,324,710				(14,324,710)
Total School District	\$ 842,715,151	\$ 11,182,805	\$ 298,751,362	\$ 3,691,195	(529,089,789)
General Revenues					
Property taxes levied for					
General purposes					70,223,144
Debt service					18,064,133
Other specific purposes					2,184,593
Federal and state aid not restricted to specific purposes					473,412,486
Interest and investment earnings					5,071,143
Miscellaneous					12,462,835
Total General Revenues and Special Items					581,418,334
					Change in net assets 52,328,545
Net Assets - Beginning of Year					409,125,280
Net Assets - End of Year					\$ 461,453,825

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 65,712,241	\$ 21,523,453	\$ 59,095,320	\$ 146,331,014
Cash on hand and in banks			3,095,280	3,095,280
Cash in revolving fund	406,150		1,814	407,964
Cash collections awaiting deposit			25,918	25,918
Cash with fiscal agent			80,605	80,605
Investments			6,089,640	6,089,640
Accounts receivable:				
Federal and state governments	71,145,747		8,101,323	79,247,070
Local governments	168,495		125,370	293,865
Miscellaneous	4,632,881	468,402	1,008,134	6,109,417
Due from other funds	13,765,544	8,000,000	6,370,728	28,136,272
Inventories	1,422,440		1,087,817	2,510,257
Prepaid expenditures	3,778,270			3,778,270
Total Assets	\$ 161,031,768	\$ 29,991,855	\$ 85,081,949	\$ 276,105,572
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 37,601,877	\$ 1,447,328	\$ 3,867,494	\$ 42,916,699
Due to other funds	21,270,081	3,581,136	20,294,619	45,145,836
Deferred revenue	2,153,034		126,031	2,279,065
Total Liabilities	61,024,992	5,028,464	24,288,144	90,341,600
 Fund Balances				
Restricted for debt service			12,459,609	12,459,609
Reserved for special purposes	5,606,860		1,089,631	6,696,491
Restricted for special purposes	58,678,730		2,004,327	60,683,057
Designated for:				
Economic uncertainties	15,260,730			15,260,730
Special purposes	7,146,125		7,955,002	15,101,127
Contingencies	13,314,331	24,963,391	37,285,236	75,562,958
Total Fund Balances	100,006,776	24,963,391	60,793,805	185,763,972
Total Liabilities and Fund Balances	\$ 161,031,768	\$ 29,991,855	\$ 85,081,949	\$ 276,105,572

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS**

June 30, 2007

Amounts reported for governmental funds are different than the statement of net assets because:

Total fund balance - governmental funds		\$ 185,763,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$911,805,947 and the accumulated depreciation is \$328,405,377. The net value of capital assets is -		583,400,570
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		1,923,747
The accrued interest for general obligation bonds is -		(5,081,772)
An Internal service fund is used by the district to manage its Self-Insurance Fund. The assets and liabilities of the Self-Insurance Fund are included under governmental activities in the statement of net assets.		7,596,796
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Principal Payable	(247,115,000)	
Certificates of Participation	(54,745,000)	
Accrued Vacation Payable	<u>(10,289,488)</u>	
		(312,149,488)
Total net assets - governmental activities		<u>\$ 461,453,825</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2007

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Revenue limit sources:				
State apportionments	\$ 420,904,204	\$	\$ 4,258,797	\$ 425,163,001
Charter schools general purpose entitlement	2,793,748			2,793,748
Local sources	70,298,734		17,969,856	88,268,590
Total revenue limit sources	493,996,686		22,228,653	516,225,339
Federal sources	92,357,126		41,977,810	134,334,936
Other state sources	189,602,944		15,314,309	204,917,253
Other local sources	21,195,557	1,529,717	16,958,770	39,684,044
Total Revenues	797,152,313	1,529,717	96,479,542	895,161,572
Expenditures				
Instruction	482,086,022		22,537,302	504,623,324
Instruction - related services	82,535,792		5,610,839	88,146,631
Pupil services	62,036,283		35,431,766	97,468,049
Ancillary services	888,586			888,586
Community services	8,572,553		1,992	8,574,545
Enterprise	5,132		299,429	304,561
General administration	40,303,547		1,666,113	41,969,660
Plant services	76,681,337	7,810,639	25,490,687	109,982,663
Other outgo	422,471	17,148	6,198,619	6,638,238
Debt service			17,436,808	17,436,808
Total Expenditures	753,531,723	7,827,787	114,673,555	876,033,065
Excess (deficiency) of revenues over expenditures	43,620,590	(6,298,070)	(18,194,013)	19,128,507
Other Financing Sources (Uses)				
Interfund transfers in		8,000,000	17,002,275	25,002,275
Interfund transfers out	(9,511,139)	(7,491,136)	(8,000,000)	(25,002,275)
Total Other Financing Sources (Uses)	(9,511,139)	508,864	9,002,275	-
Net changes in fund balances	34,109,451	(5,789,206)	(9,191,738)	19,128,507
Fund Balances - Beginning of Year, as originally stated	65,897,325	29,020,565	71,717,575	166,635,465
Adjustment for restatement (See Note 15)	-	1,732,032	(1,732,032)	-
Fund Balances - Beginning of Year, as restated	65,897,325	30,752,597	69,985,543	166,635,465
Fund Balances - End of Year	\$ 100,006,776	\$ 24,963,391	\$ 60,793,805	\$ 185,763,972

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

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

Net change in fund balances-total governmental funds \$ 19,128,507

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlays	\$ 16,806,833	
Depreciation expense	<u>(12,883,006)</u>	3,923,827

The District utilizes Certificates of Participation (COPs) as a mechanism for providing capital to purchase equipment, finance construction projects, or refinance existing leases. Repayments of certificates of participation are reported as expenses in the governmental funds but are reported as a reduction of a liability in the government-wide statements. 3,910,000

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond additional		
Repayment of bond principal	\$ 5,120,000	
Net decrease in accrued interest expense	<u>100,461</u>	
Change in long-term bond liability		5,220,461

In the statement of activities, certain operating expenses -- compensated absences (vacations), -- are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$920,301. (920,301)

Property taxes are recorded on a cash basis as they are not considered as "available" revenues in the governmental funds. The net change in the receivable related to property taxes levied for the repayment of debt is: (117,875)

Internal service funds are used by the District to manage the district's Self-Insurance Fund. The net income of \$21,183,926 is reported with governmental activities. 21,183,926

Change in net assets of governmental activities \$ 52,328,545

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND

June 30, 2007

	Governmental Activities
	Self Insurance Fund
<u>Assets</u>	
Cash in county treasury	\$ 39,063,460
Cash in revolving fund	1,080,000
Accounts receivable:	
Miscellaneous	4,735,548
Due from other funds	19,081,430
Prepaid expense	230,516
Total Assets	<u>64,190,954</u>
<u>Liabilities</u>	
Accounts payable	2,142,676
Due to other funds	2,071,866
Estimated liability for open claims and IBNRs	52,379,617
Total Liabilities	<u>56,594,159</u>
<u>Net Assets</u>	
Unrestricted	7,596,796
Total Net Assets	<u>\$ 7,596,796</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2007

	Governmental Activities
	Self Insurance Fund
Operating Revenues	
Self-insurance premiums	\$ 81,025,975
Total Operating Revenues	81,025,975
 Operating Expenditures	
Salaries	412,463
Benefits	145,516
Other supplies	67,629
Payments for health and welfare claims	61,241,220
Total Operating Expenditures	61,866,828
Operating income	19,159,147
 Non-Operating Revenues	
Other local revenues	433
Interest income	2,024,346
Total Non-Operating Revenues	2,024,779
Change in net assets	21,183,926
 Net Assets - Beginning of Year	(13,587,130)
Net Assets - End of Year	\$ 7,596,796

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2007

	Governmental Activities
	Self Insurance Fund
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 62,225,973
Cash paid for claims and operating expenses	<u>(66,222,482)</u>
Net cash used by operating activities	(3,996,509)
Cash Flows from Investing Activities and Other Sources	
Other local revenue	433
Interest income	<u>1,431,631</u>
Net cash provided by investing activities and other sources	<u>1,432,064</u>
Net decrease in cash and cash equivalents	(2,564,445)
Cash and cash equivalents - July 1, 2006	<u>42,707,905</u>
Cash and cash equivalents - June 30, 2007	<u><u>\$ 40,143,460</u></u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities	
Operating Income	<u>\$ 19,159,147</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(1,661,475)
(Increase) in due from other funds	(17,036,061)
(Increase) in prepaid expense	(102,466)
(Decrease) in accounts payable	(205,995)
(Decrease) in due to other funds	(344,122)
(Decrease) in estimated claims	<u>(3,805,537)</u>
Total adjustments	<u>(23,155,656)</u>
Net Cash Used by Operating Activities	<u><u>\$ (3,996,509)</u></u>
Cash balances at June 30, 2007 consisted of the following:	
Cash in county treasury	\$ 39,063,460
Cash in revolving fund	<u>1,080,000</u>
Total cash balances at June 30, 2007	<u><u>\$ 40,143,460</u></u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS

June 30, 2007

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 5,263,410
Accounts receivable:	
Miscellaneous	24,059
Stores inventory	<u>23,430</u>
Total Assets	<u>5,310,899</u>
<u>Liabilities</u>	
Accounts payable	310,443
Funds held in trust	<u>3,165,144</u>
Total Liabilities	<u>3,475,587</u>
<u>Net Assets</u>	
Unrestricted	<u>1,835,312</u>
Total Net Assets	<u>\$ 1,835,312</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FUND NET ASSETS - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2007

	<u>Associated Student Body Funds</u>
Additions	
Revenue from local sources	\$ 4,664,402
Total Additions	<u>4,664,402</u>
Deductions	
Other expenses	<u>5,185,419</u>
Total Deductions	<u>5,185,419</u>
Changes in net assets	(521,017)
Net Assets - Beginning of Year	<u>2,356,329</u>
Net Assets - End of Year	<u>\$ 1,835,312</u>

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

The significant accounting policies applicable to the District are described below.

A. BASIS OF PRESENTATION:

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements.

1. Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Assets presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation has been allocated to specific functions while interest expense has not been allocated.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

Ancillary services – includes activities that are generally designed to provide students with experiences outside the regular school day.

Community services – includes activities that provide services to community participants other than students.

Enterprise activities – includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

General administration – includes data processing services and all other general administration services.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other outgo – includes transfers to other agencies.

The proprietary and fiduciary fund expenditures are presented by natural classification.

B. FUND ACCOUNTING:

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.

The Statements of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS - MAJOR

General Fund – is used to account for all financial transactions except those legally required to be accounted for in another fund. It is the general operating fund of the District. The District has elected to record Emerson Charter School activity in the General Fund as the funding comes through the General Fund.

Building Fund – used to account for the proceeds of Measure A – General Obligation Bonds.

GOVERNMENTAL FUNDS – NON-MAJOR

Debt Service Fund – used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

1. Bond Interest and Redemption Fund – used to finance and account for the payment of interest and principal on bonded debt.

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

1. Adult Education Fund – used to account for resources committed to adult education programs offered by the District.
2. Child Development Fund – used to account for resources committed to preschool children programs.
3. Cafeteria Fund – used to account for revenues received and expenditures made to operate the District's food and nutrition service program.
4. Deferred Maintenance Fund – used for the purpose of major repair or replacement of District property.
5. Special Reserve Fund for Other Than Capital Outlay Projects – used primarily to provide for the accumulation of general fund monies for general operating purposes other than capital outlay. Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

Capital Projects Funds – used to account for the acquisition and/or construction of major governmental general fixed assets.

1. Capital Facilities Fund – used to account for resources received from developer impact fees and to account for the activity related to Certificates of Participation (COP) issued.
2. Special Reserve Fund – used to account for the resources received from redevelopment agencies and other funds used for capital facility projects.
3. State School Building Lease-Purchase Fund – used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17700-17780).
4. County School Facilities Fund – used to separately account for State apportionments as provided by SB 50 and Proposition 1A bond money.

PROPRIETARY FUNDS

Internal Service Funds – used to account for services rendered on a cost-reimbursement basis within the District. The Internal Service Fund consists of two sub-funds as follows:

1. Deductible Insurance Fund – used to account for resources committed to the District's self-insurance program for property loss or damage;
2. Health, Vision and Dental Insurance and Workers' Compensation Fund – used to account for resources committed to the District's health, vision, dental and workers' compensation insurance programs.

FIDUCIARY FUNDS

Student Body Funds – used to account for the raising and spending of money to promote the general welfare, morale and educational experiences of the student body. The District operates 33 separate student body funds.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

B. FUND ACCOUNTING: (continued)

AGENCY ACTIVITIES

The District operates a warrant pass-through fund as a holding account for amounts withheld from employees for federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$3,774,476 on June 30, 2007, which represents withholdings payable. These amounts were included as part of the General Fund activity. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In accordance with GASB Statement No. 20, the District's proprietary fund follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District also applies all FASB statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

1. Cash and Cash Equivalents

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

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. Per Education Code Section 33128.1, a local education agency may recognize 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. The District has recognized receivables in accordance with this standard, the most notable being for the final P-2 apportionment.

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2007, the inventory for supplies is \$1,422,440 and the inventory for food is \$1,087,817.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

5. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Furniture and Equipment	5 to 20 years
Vehicles	6 years

6. 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 exceed qualified expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

7. Compensated Absences

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

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 a liability 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.

8. Long Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Fund Balance Reservations and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors or laws or regulations of other governments.

11. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

12. 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 Government-wide financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

13. 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' and Public Employees' Retirement Systems on behalf of all 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 \$7,700,000 for STRS.

14. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

15. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions 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 UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

16. 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.

D. 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 Education.

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.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

D. REPORTING ENTITY: (continued)

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

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

1. Long Beach Education Foundation – The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors is selected independent of any District Governing Board elections. The Foundation Board is responsible for approving its own budget and related accounting and finance activities.
2. California State University Dominguez Hills Foundation – The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors are elected independent of any District Governing Board appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. The Foundation supports some functions of the California Academy of Mathematics and Science (CAMS) – a high school under the jurisdiction of the District.
3. Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.
4. Charter Schools – Constellation and New City Charter Schools– These charter schools receive their funding directly from other government agencies and have a separate governing board. The condensed unaudited financial information for June 30, 2007 for these schools is presented on the following page.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

D. REPORTING ENTITY: (continued)

	<u>Constellation</u>	<u>New City</u>
Total Assets	\$ 1,298,823	\$ 1,800,067
Total Liabilities	<u>76,177</u>	<u>1,523,827</u>
Fund Balance	<u>\$ 1,222,646</u>	<u>\$ 276,240</u>
Total Revenues	\$ 1,649,097	\$ 2,070,687
Total Expenditures	<u>1,171,363</u>	<u>1,740,399</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ 477,734</u>	<u>\$ 330,288</u>

Separate financial statements for these entities can be obtained through the District.

NOTE 2 - BUDGETS:

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. 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 GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the supplementary section.

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 UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk - Deposits

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 not have a deposit policy for custodial risk. As of June 30, 2007, \$13,848,002 of the District's bank balance of \$14,658,689 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$11,456,428
Uninsured and uncollateralized	<u>2,391,574</u>
Total	<u>\$13,848,002</u>

The District has set aside monies in an account to pay for benefits associated with the former Superintendent. The amount held in the account at June 30, 2007 is \$99,853. The account is expected to be closed out and payment made in full in 2007-08.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair market value of the District's deposits as noted above in this pool as of June 30, 2007, as provided by the pool sponsor, was \$185,073,555.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments

As of June 30, 2007, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
AIG Matched Funding Corp.	6/1/2024	\$ 6,089,640

This investment is in a Guaranteed Investment Contract (GIC) and is not required to identify ratings.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

Credit Risk

Government Code Sections 16430 and 53601 allows governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund activity has been eliminated in the Government-wide statements as required by GASB No. 34. The following balances and transactions are reported in the fund financial statements.

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at a June 30, 2007 are temporary loans and are detailed as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$13,765,544	\$21,270,081
Building Fund	8,000,000	3,581,136
Non-Major Funds:		
Special Revenue Funds:		
Adult Education Fund	191,000	659,682
Child Development Fund	1,280,152	3,327,760
Cafeteria Fund	729,323	7,924,180
Deferred Maintenance Fund	3,647,608	235,875
Special Reserve Fund for Other Than Capital Outlay Projects	522,645	
Capital Projects Funds:		
County School Facilities Fund		8,087,122
Capital Facilities Fund		60,000
Proprietary Fund:		
Self-Insurance Fund	<u>19,081,430</u>	<u>2,071,866</u>
	<u>\$47,217,702</u>	<u>\$47,217,702</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2006-07 fiscal year are as follows:

Transfer from General Fund to the Adult Education Fund for Lottery allocations	\$ 55,996
Transfer from General Fund to the Child Development Fund to cover expenses for Headstart and Child Development programs	1,182,975
Transfer from the Building Fund to the Deferred Maintenance Fund for estimated match necessary to qualify for State funds	3,581,136
Transfer from the Building Fund to the Capital Facilities Fund for Certificates of Participation principal payment	3,910,000
Transfer from the County School Facilities Fund to the Building Fund to return unused bond monies previously transferred	8,000,000
Transfer from the General Fund to the Special Reserve Fund for Other Than Capital Outlay Projects for Mandated Costs collected	7,912,299
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement and to cover expenses for non student food	288,408
Transfer from the General Fund to the Adult Education Fund for the Discretionary Block Grant Allocation	<u>71,461</u>
Total	<u>\$25,002,275</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 5 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED:

The following amounts were reserved by the Board of Education for the special purposes below:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Cash in revolving fund	\$ 406,150	\$ 1,814	\$ 407,964
Inventory	1,422,440	1,087,817	2,510,257
Prepaid Expenses	<u>3,778,270</u>	<u> </u>	<u>3,778,270</u>
 Total	 <u>\$5,606,860</u>	 <u>\$1,089,631</u>	 <u>\$6,696,491</u>

The following ending balances were legally restricted as to use:

Major Funds:

General Fund:

Medi-Cal Billing Option	\$ 1,259,641
Cal-SAFE Academic and Supportive Services	30,868
Cal-SAFE Child Care and Development Services	636
English Language Acquisition Program	1,325,399
California Public School Library At of 1998	55,842
Lottery: Instructional Materials	3,246,028
ROC/P Apportionment	2,206,709
School Safety and Violence Prevention, Grades 8-12	855,615
Arts and Music Block Grant	1,285,971
Arts, Music, and Physical Education Supplies and Equipment	6,920,707
CAHSEE Intensive Instruction and Services	689,290
CAHSEE Individual Intervention Materials	82,940
Supplemental School Counseling Program	1,792,156
Economic Impact Aid	3,094,222
Limited English Proficiency	3,362,336
Education Technology: Digital High School Staff Development and Support	25,375
Gifted and Talented Education	430,807
Instructional Materials Realignment Program	13,781,037
Instructional Materials – Williams Case	600,381
Instructional Materials – Grades 9-12	6,342
California Peer Assistance and Review Program for Teacher	559,041

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 5 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED: (continued)

Major Funds: (continued)

General Fund: (continued)

Staff Development: Administrator Training	8,550
Tenth Grade Counseling	59,449
Pupil Retention Block Grant	119,515
Teacher Credentialing Block Grant	821,162
Professional Development Block Grant	360,999
School and Library Improvement Block Grant	1,949,171
Discretionary Block Grant – School Site	4,436,106
Discretionary Block Grant – School District	1,872,982
Instructional Materials, Library Materials and Education Technology	1,026,468
Routine Restricted Maintenance	4,799,220
Donor Restricted Gifts	<u>1,613,765</u>

\$58,678,730

Non-Major Funds:

Child Development Fund:

Child Nutrition Program	\$ 57,156
Donor Restricted Gifts	<u>11,660</u>

\$ 68,816

Adult Education Fund:

Adult Education Apportionment	\$ 1,804,285
State Lottery Prop 20	48,610
Donor Restricted Gifts	68,499
Discretionary Block Grant	<u>14,117</u>

\$ 1,935,511

Total Non-Major Funds \$ 2,004,327

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 5 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED: (continued)

The following amounts were designated by the Board of Education for the special purpose below:

	<u>General Fund</u>
Major Funds:	
General Fund:	
Economic Uncertainties	\$15,260,730
Designated for Site Carryover	7,146,125
Contingencies	<u>13,314,331</u>
Total General Fund	<u>35,721,186</u>
Building Fund:	
Contingencies (Construction, Capital Outlay)	<u>24,963,391</u>
Total Major Funds	<u>\$60,684,577</u>
Non-Major Funds:	
Contingencies and Special Purposes	
Adult Education Fund	\$ 6,445
Cafeteria Fund	2,946,832
Deferred Maintenance Fund	16,873,602
Capital Facilities Fund	8,704,381
Special Reserve Fund	5,983,432
State School Building Fund	46,328
County School Facilities Fund	2,724,216
Special Reserve Fund for Other Than Capital Outlay Projects	<u>7,955,002</u>
Total Non-Major Funds	<u>\$45,240,238</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 6 – OPERATING LEASES:

The District has entered into various operating leases for buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2007-08	\$3,849,125
2008-09	2,613,617
2009-10	701,877
2010-11	400,357
2011-12	<u>225,210</u>
Total	<u>\$7,790,186</u>

2006-07 expenditures for operating leases is approximately \$3,425,900. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7 - CERTIFICATES OF PARTICIPATION:

The District has entered into a long-term lease agreement to provide for the financing of the acquisition, construction, installation and modernization of capital improvements of the District. A portion of the proceeds was used to redeem previously issued certificates of participation.

The agreement dated November 1, 2001, is between the Long Beach Unified School District as the "lessee" and the California School Facilities Financing Corporation as the "lessor" or "corporation". The California School Facilities Financing Corporation is a legally separate entity which was formed for the sole purpose of constructing and equipping school facilities and acquiring other fixed assets and then leasing such items to the District.

The Corporation's funds for acquiring these items were generated by the issuance of \$74,010,000 in 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. These funds are not available for general purpose expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

Lease Payments - Lease payments are required to be made by the District under the lease agreement for the use and possession of the facilities. Interest payments will be quarterly on the first day of March, June, September and December commencing March 1, 2002. Principal payments are due on June 1 commencing June 1, 2002 and terminating June 1, 2024. The interest rate is a variable rate.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. The trustee will pay from the lease payment fund the required principal and interest payments.

The outstanding balance at June 30, 2007 is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,920,000	\$ 1,746,366	\$ 5,666,366
2009	4,075,000	1,621,318	5,696,318
2010	4,255,000	1,491,325	5,746,325
2011	4,425,000	1,355,591	5,780,591
2012	4,620,000	1,214,433	5,834,433
2013-2017	17,455,000	4,263,277	21,718,277
2018-2022	11,685,000	1,691,659	13,376,659
2023-2024	<u>4,310,000</u>	<u>207,510</u>	<u>4,517,510</u>
	<u>\$ 54,745,000</u>	<u>\$ 13,591,479</u>	<u>\$ 68,336,479</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS:

Series

On March 30, 1999, the District voters approved the issuance of \$295,000,000 of general obligation bonds under the provisions of Title 1, Division 1, Part 10, Chapter 2 of the State of California Education Code, commencing with 15100. The District has offered the following bonds for sale: Series A for \$25,000,000 (July 15, 1999), Series B for \$30,000,000 (July 1, 2000), Series C for \$60,000,000 (August 1, 2001), Series D for \$40,000,000 (May 1, 2002), Series E for \$60,000,000 (May 1, 2003) and Series F \$50,000,000 (June 1, 2004) of general obligations bonds. The bonds were issued to finance various capital improvements in particular to upgrade outdated heating plumbing, ventilation and electrical systems, rehabilitate 50 year old classrooms, repair leaky roofs, upgrade classroom electrical systems for computers, and build new classrooms and schools to eliminate overcrowding and allow students to attend neighborhood schools.

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2001 (Series A), August 1, 2003 (Series B, C and D) and February 1, 2007 (Series E and F). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The bonds bear an interest rate ranging from 4.5% to 7.5% (Series A), 5.0% to 8.0% (Series B), 4.3% to 7.3% (Series C), 4.125% to 6.0% (Series D), 2.0% to 5.0% (Series E) and 3.5% to 5.375% (Series F).

The outstanding bonded debt of Long Beach Unified School District at June 30, 2007 is:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2006</u>	<u>Issued Current Year</u>	<u>Principal Payment Current Year</u>	<u>Outstanding June 30, 2007</u>
Series A	07/15/99	4.5%-7.5%	8/1/2029	\$ 25,000,000	\$ 22,600,000	\$	\$ 525,000	\$ 22,075,000
Series B	07/01/00	5.0%-8.0%	8/1/2029	30,000,000	27,670,000		585,000	27,085,000
Series C	08/01/01	4.3%-7.3%	8/1/2031	60,000,000	55,920,000		1,140,000	54,780,000
Series D	05/01/02	4.125%-6.0%	8/1/2031	40,000,000	38,300,000		790,000	37,510,000
Series E	05/01/03	2.0%-5.0%	8/1/2032	60,000,000	58,145,000		1,205,000	56,940,000
Series F	06/01/04	3.50%-5.375%	8/1/2033	50,000,000	49,600,000		875,000	48,725,000
				<u>\$ 265,000,000</u>	<u>\$ 252,235,000</u>	<u>\$ -</u>	<u>\$ 5,120,000</u>	<u>\$ 247,115,000</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS:

A. Series A

The annual requirements to amortize Series A bond payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 550,000	\$ 1,123,779	\$ 1,673,779
2009	575,000	1,090,216	1,665,216
2010	600,000	1,063,479	1,663,479
2011	620,000	1,035,109	1,655,109
2012	650,000	1,004,939	1,654,939
2013-2017	3,725,000	4,501,366	8,226,366
2018-2022	4,765,000	3,425,016	8,190,016
2023-2027	6,120,000	2,008,913	8,128,913
2028-2030	<u>4,470,000</u>	<u>359,888</u>	<u>4,829,888</u>
Totals	<u>\$ 22,075,000</u>	<u>\$ 15,612,705</u>	<u>\$ 37,687,705</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

B. Series B

The annual requirements to amortize Series B bond payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 620,000	\$ 1,457,090	\$ 2,077,090
2009	660,000	1,405,890	2,065,890
2010	690,000	1,362,240	2,052,240
2011	725,000	1,326,865	2,051,865
2012	760,000	1,289,740	2,049,740
2013-2017	4,445,000	5,820,833	10,265,833
2018-2022	5,795,000	4,501,993	10,296,993
2023-2027	7,655,000	2,676,438	10,331,438
2028-2030	<u>5,735,000</u>	<u>484,963</u>	<u>6,219,963</u>
Totals	<u>\$ 27,085,000</u>	<u>\$ 20,326,052</u>	<u>\$ 47,411,052</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

C. Series C

The annual requirements to amortize Series C bond payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,190,000	\$ 2,706,060	\$ 3,896,060
2009	1,240,000	2,649,835	3,889,835
2010	1,300,000	2,589,510	3,889,510
2011	1,355,000	2,528,148	3,883,148
2012	1,415,000	2,465,823	3,880,823
2013-2017	8,065,000	11,274,063	19,339,063
2018-2022	10,215,000	8,927,444	19,142,444
2023-2027	13,085,000	6,017,313	19,102,313
2028-2032	<u>16,915,000</u>	<u>2,254,250</u>	<u>19,169,250</u>
Totals	<u>\$ 54,780,000</u>	<u>\$ 41,412,446</u>	<u>\$ 96,192,446</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

D. Series D

The annual requirements to amortize Series D bond payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 830,000	\$ 1,849,988	\$ 2,679,988
2009	870,000	1,798,988	2,668,988
2010	915,000	1,750,013	2,665,013
2011	955,000	1,703,263	2,658,263
2012	995,000	1,654,513	2,649,513
2013-2017	5,605,000	7,541,719	13,146,719
2018-2022	7,000,000	5,992,750	12,992,750
2023-2027	8,925,000	4,013,125	12,938,125
2028-2032	<u>11,415,000</u>	<u>1,483,375</u>	<u>12,898,375</u>
Totals	<u>\$ 37,510,000</u>	<u>\$ 27,787,734</u>	<u>\$ 65,297,734</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

E. Series E

The annual requirements to amortize Series E bond payable, outstanding as of June 30, 2007, are as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 1,250,000	\$ 2,522,269	\$ 3,772,269
2009	1,300,000	2,490,363	3,790,363
2010	1,355,000	2,452,975	3,807,975
2011	1,410,000	2,411,500	3,821,500
2012	1,465,000	2,364,713	3,829,713
2013-2017	8,200,000	10,961,450	19,161,450
2018-2022	10,020,000	9,072,700	19,092,700
2023-2027	12,515,000	6,308,750	18,823,750
2028-2032	15,795,000	2,823,413	18,618,413
2033	3,630,000	86,213	3,716,213
Totals	<u>\$ 56,940,000</u>	<u>\$ 41,494,346</u>	<u>\$ 98,434,346</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – GENERAL OBLIGATION BONDS: (continued)

F. Series F

The annual requirements to amortize Series F bond payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 910,000	\$ 2,409,200	\$ 3,319,200
2009	955,000	2,374,175	3,329,175
2010	995,000	2,330,200	3,325,200
2011	1,040,000	2,279,325	3,319,325
2012	1,090,000	2,230,163	3,320,163
2013-2017	6,220,000	10,306,075	16,526,075
2018-2022	7,875,000	8,544,872	16,419,872
2023-2027	10,140,000	6,205,622	16,345,622
2028-2032	13,180,000	3,296,750	16,476,750
2033-2034	<u>6,320,000</u>	<u>320,250</u>	<u>6,640,250</u>
Totals	<u>\$ 48,725,000</u>	<u>\$ 40,296,632</u>	<u>\$ 89,021,632</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 9 - OTHER ACCOUNTING DISCLOSURES:

A. Long-term debt - A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
Accrued Vacation	\$ 9,369,187	\$ 920,301	\$	\$ 10,289,488	\$ 8,220,406
Certificates of participation	58,655,000		3,910,000	54,745,000	3,920,000
General obligation bonds	<u>252,235,000</u>		<u>5,120,000</u>	<u>247,115,000</u>	<u>5,350,000</u>
Totals	<u>\$ 320,259,187</u>	<u>\$ 920,301</u>	<u>\$ 9,030,000</u>	<u>\$ 312,149,488</u>	<u>\$ 17,490,406</u>

B. Capital assets - A schedule of changes in general fixed assets for the year ended June 30, 2007, is shown below:

	Beginning Balance ⁽¹⁾	Additions	Deletions	Adjustments ⁽²⁾	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 109,925,940	\$	\$	\$ 2,100,694	\$ 112,026,634
Work In Progress	80,152,196	1,559,440	73,627,116		8,084,520
Total capital assets not being depreciated:	<u>190,078,136</u>	<u>1,559,440</u>	<u>73,627,116</u>	<u>2,100,694</u>	<u>120,111,154</u>
Capital assets being depreciated:					
Land Improvements	16,176,987	415,119			16,592,106
Buildings and Improvements	612,420,895	84,441,367			696,862,262
Books and Media In Library	17,396,019	1,848,372			19,244,391
Vehicles	10,877,875	557,198	731,831	(13,598)	10,689,644
Machinery and Equipment	48,049,202	676,470	432,880	13,598	48,306,390
Total capital assets being depreciated	<u>704,920,978</u>	<u>87,938,526</u>	<u>1,164,711</u>	<u>-</u>	<u>791,694,793</u>
Accumulated depreciation for:					
Land Improvements	12,687,252	375,861			13,063,113
Buildings and Improvements	231,140,164	12,006,200			243,146,364
Books and Media In Library	16,187,529	758,935			16,946,464
Vehicles	10,169,612	302,819	731,831	3,923	9,744,523
Machinery and Equipment	45,337,814	569,941	432,880	30,038	45,504,913
Total accumulated depreciation	<u>315,522,371</u>	<u>14,013,756</u>	<u>1,164,711</u>	<u>33,961</u>	<u>328,405,377</u>
Total capital assets being depreciated, net	<u>389,398,607</u>	<u>73,924,770</u>	<u>-</u>	<u>(33,961)</u>	<u>463,289,416</u>
Governmental activities capital assets, net	<u>\$ 579,476,743</u>	<u>\$ 75,484,210</u>	<u>\$ 73,627,116</u>	<u>\$ 2,066,733</u>	<u>\$ 583,400,570</u>

⁽¹⁾The beginning balance was restated to conform with current year presentation.

⁽²⁾The adjustments column represents additional land improvements that occurred during 2006-07. The remaining adjustments for capital assets are prior year occurrences that were accounted for during the current fiscal year.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 10 – INTERNAL SERVICE FUND(S):

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. Through the year, the District has maintained the following self-insurance programs and accounts for them in Internal Service Funds. The District is self insured for property and liability, health, vision, dental and workers' compensation. These funds account for and finance the uninsured portion of losses. The Deductible Insurance Fund provides general liability coverage for a maximum of \$100,000, primarily for particular property damage and bodily injury claims. The District participates in a Joint Powers Authority for claims in excess of the amount provided by the Deductible Insurance Fund and for certain other risks up to \$1,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, through the Deductible Insurance Fund, the District is completely self-insured for certain other types of claims, principally related to property losses due to vandalism and natural disasters.

Through its Health, Vision and Dental Insurance Fund, the District is partially self-insured for health, vision and dental plan claims. The District maintains an excess insurance policy for health program claims over \$250,000.

The District is self insured for the first \$500,000 of claims related to workers' compensation. The District carries excess insurance for claims over this amount. The District has estimated a receivable of \$2,604,706 as of June 30, 2007 related to claims in excess of the \$500,000.

Payments from the applicable government fund type are made to the self-insurance fund in amounts needed to pay the estimated claims as well as fund future obligations.

Liabilities for loss and loss adjustment expenses for each Internal Service Fund are based on the ultimate cost of settling the claims which include the accumulation of estimates for losses reported prior to the balance sheet date and an estimate of losses incurred but not reported. Such liabilities, which are not discounted, are estimates of future expected settlement and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed, and as settlements are made, or reserves adjusted, differences are reflected in current operations.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 10 – INTERNAL SERVICE FUND(S): (continued)

At June 30, 2007, the District accrued the claims liability 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 liability is estimated at \$52,379,617. The Internal Service Fund currently has a combined positive fund balance of \$7,596,796. This is largely due to a transfer of funds for other postemployment benefits. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Workers Compensation	\$ 41,491,001	\$ 9,417,987	\$ 10,805,913	\$ 40,103,075
Deductible Insurance	2,175,927	(1,040,745)	(418,354)	1,553,536
Health, Vision and Dental	12,518,226	44,314,782	46,110,002	10,723,006
	\$ 56,185,154	\$ 52,692,024	\$ 56,497,561	\$ 52,379,617

NOTE 11 - EMPLOYEE RETIREMENT PLANS:

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

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 UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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 2006-07 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 average required employer contribution for fiscal year 2006-07 was 9.124% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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>	STRS		PERS	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2005	\$28,952,046	100%	\$10,277,464	100%
2006	30,210,195	100%	10,059,148	100%
2007	31,801,480	100%	10,439,147	100%

NOTE 12 – ALTERNATE PENSION PLANS:

Alternate Retirement System for Part-Time, Seasonal and Temporary Employees (ARS)

Plan Description

The Alternate Retirement System for Part-Time, Seasonal and Temporary Employees (ARS/PARS) 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 and the District are established and may be amended by the ARS Plan Administrator. Eligible employees hired prior to January 1, 2002, contribute 3.75% of their covered compensation to this plan and effective November 1, 2006 the District contributes 3.75%. Eligible employees hired after January 1, 2002, contribute 7.5% of their covered compensation to this plan.

Employees who have received distributions	500
Terminated plan members entitled to but not yet receiving benefits	20,262
Active plan members	2,559
Number of participating employers	1
Contributions by Employee for the year	\$1,273,944
Contributions by Employer for the year	\$ 175,565

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 12 – ALTERNATE PENSION PLANS: (continued)

Long Beach Schools Business Management Authority Retirement Plan

In 1998 the Long Beach Unified School District approved the development of an alternate retirement system for management employees of the District. The Long Beach Schools Business Management Authority Retirement Plan (LBSBMA) is a defined benefit pension plan established as an alternative to PERS (Public Employees Retirement System). As of July 1, 2004, the plan is no longer accepting new members. Currently, the District is negotiating to have participating employees reinstated in PERS. LBSBMA covered pension benefits for employees that elected to participate in the plan. Employees were eligible for the plan if they were certain non-certificated executive, administrative, management, and related services furnished within the business, human resources and instruction departments. The plan was established under IRS Code 401(a).

Plan Description and Contribution Information

Retirees and beneficiaries receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	109
Active plan members	0
 Number of participating employers	 1
 Contributions by Employee for the year	 \$0
Contributions by Employer for the year	\$0

Per GASB 34 paragraph 10G the financial information for both plans is provided below as there are no separate GAAP financial statements for the plans.

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Assets:			
Cash and cash equivalents	\$ (20,725)	\$	\$
Accounts receivable	2,417		
Investments, at fair value:			
U.S. Government obligations	4,333,670	21,497,894	1,219,516
Total Assets	<u>\$ 4,315,362</u>	<u>\$ 21,497,894</u>	<u>\$ 1,219,516</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 12 – ALTERNATE PENSION PLANS: (continued)

Plan Description and Contribution Information (continued)

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Additions			
Contributions:			
Employer	\$	\$	\$ 175,565
Plan members		245,655	1,028,289
Total Contributions		<u>245,655</u>	<u>1,203,854</u>
Investment earnings:			
Net increase in fair value of investments		1,331,033	
Interest and Dividends	34,661	45,398	19,026
Net investment Earnings	<u>34,661</u>	<u>1,376,431</u>	<u>19,026</u>
 Total Additions	 <u>34,661</u>	 <u>1,622,086</u>	 <u>1,222,880</u>
 Deductions:			
Benefits	212,223	664,119	
Administrative Expenses	15,955	52,297	3,364
Total deductions	<u>228,178</u>	<u>716,416</u>	<u>3,364</u>
 Change in net assets	 (193,517)	 905,670	 1,219,516
 Net assets - beginning of year	 <u>4,508,879</u>	 <u>20,592,224</u>	 <u> </u>
Net assets - end of year	<u>\$ 4,315,362</u>	<u>\$ 21,497,894</u>	<u>\$ 1,219,516</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 13 – POST EMPLOYMENT - HEALTH BENEFITS:

At June 30, 2007, there were 1,167 retirees receiving medical (health) benefits under the District health plans. The District pays for the health benefit coverage of eligible retirees, including employees who retire on disability, who have attained the age of 55 and have worked for the District for at least 15 or 17 years depending on their bargaining unit. Their benefits are paid until the retiree reaches the age of 65 or 67, respectively. However, in the case of disability retirees, there is no age requirement and coverage is until the person reaches age 67 or for up to 39 months, whichever comes earlier. The District paid \$7,767,615 for the health benefits of 657 retirees that qualified for this coverage during 2006-07. An additional \$3.9 million was charged and transferred to the self-insurance fund to begin implementation of GASB 45. The other 510 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2007, the District collected \$3,593,638 from retirees to cover the cost of the “self-paid” health benefits. Approximately \$7,831,995 is projected for the district-paid portion in 2007-08.

The District has been working closely with an actuary regarding the implementation of GASB 45, which is required by governmental accounting standards to be implemented in fiscal year 2007-08. An actuarial report dated June, 2007 was completed which reports that the estimated annual expense associated with the District’s retiree benefit program is \$11.6 million. The District prudently used this estimate to record costs associated with this program in 2006-07 and as previously mentioned transferred the amount in excess of actual costs of \$3.9 million to the self insurance fund in an effort to begin funding this program. The District is prepared to fully implement GASB 45 in 2007-08.

NOTE 14 - JOINT POWERS AGREEMENTS:

The Long Beach Unified School District participates in three joint powers agreement (JPA) entities, the Alliance of Schools for Collective Insurance Programs (ASCIP), the Schools Excess Liability Fund (SELF), and the California Statewide Tax Authority (the Authority). The relationship between the district and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

ASCIP arranges for and provides property and liability insurance for its member districts. Long Beach Unified School District pays a premium commensurate with the level of coverage requested.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 14 - JOINT POWERS AGREEMENTS: (continued)

SELF arranges for and provides a self-funded or additional insurance for excess liability funding for approximately 1,100 public educational agencies. SELF is governed by a board comprised of 17 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 premium based upon the amounts calculated by SELF's board of directors and shares surpluses and deficits proportionate to its participation in SELF.

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 fiscal year 2006-07 the District received local revenue in the amount of \$332,805 from the Authority.

The most current financial information for ASCIP and SELF is summarized as follows:

	ASCIP 6/30/2006 <u>(Audited)</u>	SELF 6/30/2006 <u>(Audited)</u>
Total assets	\$132,904,091	\$219,228,961
Total liabilities	<u>94,815,362</u>	<u>191,182,670</u>
Fund equity	<u>\$ 38,088,729</u>	<u>\$ 28,046,291</u>
Total revenues	\$ 63,646,057	\$ 63,688,772
Total expenditures	<u>55,637,905</u>	<u>38,865,579</u>
Net increase (decrease) in fund equity	<u>\$ 8,088,152</u>	<u>\$ 24,823,193</u>

NOTE 15 – ADJUSTMENT FOR RESTATEMENT:

The District restated the State School Building Lease-Purchase Fund and the Building Fund by (\$1,732,032) and \$1,732,032 respectively to correctly record expenditures related to a State School Building Lease-Purchase project. This restatement impacts the fund statement only.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. Contingent Liabilities

Cafeteria

In 2002-03, the District restated its fund balance in the Cafeteria Fund and the General Fund to adjust the undercharging of indirect costs by the General Fund for prior years. This resulted in an addition to the General Fund and reduction in the Cafeteria Fund amounting to \$3,862,992. The Nutrition Services Division of the California Department of Education issued a letter dated August 11, 2005, indicating that the District's General Fund must return a portion of this to the Cafeteria Fund. The General Fund will reimburse the Cafeteria Fund for a portion of the restatement in the amount of \$1,968,212 over a ten year period to end in the fiscal year 2014-2015. This is not reflected in the government wide statements since it is within the funds of the District.

Redevelopment Agency Fees

The District is currently analyzing the status of its agreements with Redevelopment Agencies in the area. Based on legislation, known as AB 1290, certain limitations exist on taxing agencies, and instead of negotiating the allocation of tax proceeds, a statutory formula was established to distribute proceeds from taxes. Education Code 42238(h)(6) states that payments may be subject to an offset of 43.3% of the amount received for redevelopment, to be applied as property tax receipts in calculating the offset for property taxes in the revenue limit calculation. If, after a thorough review of these revenues, it is determined that this regulation applies, the district may be required to transfer 43.3% of fees collected to the general fund and include these amounts as an offset, which will reduce state apportionments. Therefore, there may be an impact to the Special Reserve Fund balances that are currently being held for capital facilities purposes. If this was applicable for 2006-07 the amount of the transfer would be approximately \$901,000. Due to the uncertainty of the outcome of this matter, there has been no transfer included in these financial statements. It may be determined that a transfer is warranted for future and/or subsequent years.

B. Litigation

The District has been named as defendant in several lawsuits. The lawsuits are seeking, among other things, to require the District to reinstate terminated and laid-off employees. Management believes that the ultimate outcome of such lawsuits will not have a material impact on the District's financial condition.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (continued)

C. State and Federal Allowances, Awards, 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.

D. County School Facilities Funds

The District is currently involved in several construction and modernization projects partially funded through the State Facility Program. These projects are subject to future audits by the State, which may result in revenue adjustments to the fund.

E. Purchase Commitments

As of June 30, 2007, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$2.9 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

F. LBSBMA

The District is currently negotiating with PERS regarding the dissolution of LBSBMA. As noted in Note 12, the assets available in LBSBMA at June 30, 2007 are approximately \$4.3 million. However, based on preliminary estimates, this will not be sufficient to cover the obligation needed to reinstate employees in PERS and cover past LBSBMA obligations. Because the final determination and amounts have not yet been agreed to or actuarially calculated, these financial statements do not include an estimate for this future obligation.

SUPPLEMENTARY INFORMATION SECTION

LONG BEACH UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2007

The Long Beach Unified School District began operations as a newly formed unified district on July 1, 1945. During the current year, the District maintained fifty-one elementary schools, twenty-three middle and K-8 schools, three charter schools, eight high schools, one continuation school and one adult school.

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Felton Williams	President	July, 2008
Jon Meyer	Vice President	July, 2008
Dr. David Barton	Member	July, 2010
Mary Stanton	Member	July, 2010
Michael Ellis	Member	July, 2010
Brittany Quach	Student Member	July, 2008

ADMINISTRATIVE OFFICERS

Christopher Steinhauser	Superintendent of Schools
Christine Dominguez	Deputy Superintendent
Kim Stallings	Chief Business and Financial Officer

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)
	Original	Revised Final		
Revenues:				
Revenue Limit Sources	\$ 495,942,376	\$ 493,996,686	\$ 493,996,686	\$ -
Federal Sources	76,658,589	109,517,687	92,357,126	(17,160,561)
Other State Sources	143,268,087	197,521,668	189,602,944	(7,918,724)
Interest	1,750,000	2,687,081	5,518,860	2,831,779
Other Local Sources	4,001,441	16,652,851	15,676,697	(976,154)
Total Revenues	<u>721,620,493</u>	<u>820,375,973</u>	<u>797,152,313</u>	<u>(23,223,660)</u>
Expenditures:				
Certificated Salaries:				
Teachers Salaries	267,133,341	315,666,163	310,402,594	5,263,569
Pupil Support	22,695,499	30,930,630	28,772,361	2,158,269
Supervisors' and Administrators' Salaries	26,115,384	27,927,125	27,729,757	197,368
Other Certificated Salaries	8,644,168	14,259,423	12,261,042	1,998,381
Classified Salaries:				
Instructional Aides' Salaries	17,092,387	22,823,239	22,545,729	277,510
Support Salaries	33,233,034	40,802,058	39,491,571	1,310,487
Supervisors' and Administrators' Salaries	20,756,105	23,160,991	22,294,320	866,671
Clerical, Technical and Office Staff Salaries	22,240,124	23,386,506	22,628,648	757,858
Other Classified Salaries	4,752,882	6,037,540	6,086,608	(49,068)
Employee Benefits:				
STRS	27,104,923	31,100,680	30,713,360	387,320
PERS	8,272,768	9,047,137	8,824,192	222,945
PERS Reduction	2,501,729	2,886,454	2,722,042	164,412
OASDI	11,886,436	13,210,031	12,758,483	451,548
Health and Welfare Benefits	72,479,172	69,684,102	65,853,004	3,831,098
Unemployment Insurance	2,100,375	745,635	164,101	581,534
Workers' Compensation	19,916,939	24,706,944	24,656,071	50,873
Retiree Benefits	5,428,079	11,788,782	10,589,512	1,199,270
Other Employee Benefits		4,713	4,132	581
Books & Supplies:				
Textbooks	6,230,602	10,441,626	6,887,674	3,553,952
Books other than Textbooks	268,254	4,179,332	2,337,279	1,842,053
Materials and Supplies	35,036,358	53,128,009	13,923,345	39,204,664
Noncapitalized Equipment	248,370	15,990,569	4,973,816	11,016,753
Food Service Supplies		14,501	9,600	4,901

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND

For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Revised Final	Amounts	Revised Final Budget - Positive (Negative)
Services, Other Operating Expenses:				
Travel and Conferences	533,426	2,659,188	1,845,273	813,915
Dues and Memberships	90,977	157,629	136,592	21,037
Insurance	5,498,179	5,519,628	5,517,463	2,165
Operating and Housekeeping Services	8,674,033	9,729,305	9,613,636	115,669
Rentals, Leases and Repairs	11,498,135	11,413,364	6,481,307	4,932,057
Direct Costs - Interfund	(82,840)	721,664	(114,332)	835,996
Other Services and Operating Expenses	51,503,444	65,514,971	50,652,912	14,862,059
Communications	3,126,136	3,281,000	2,953,914	327,086
Capital Outlay:				
Sites and Improvements of Sites	40,000	514,318	398,671	115,647
Buildings and Improvements of Buildings	5,907,117	2,356,221	155,939	2,200,282
Equipment	96,352	1,832,648	1,061,954	770,694
Equipment Replacement	415,000	910,904	487,862	423,042
Other Outgo:				
State Special Schools			10,286	(10,286)
Other Outgoing Tuition		133,145	133,145	-
Transfers to Charter Schools In-Lieu of Property Taxes	539,780	279,209	279,041	168
Other Transfers Out	273,834			-
Direct Support/Indirect Costs:				
Interfund Transfers of Direct Support/Indirect Costs	(2,790,471)	(2,161,511)	(2,711,181)	549,670
Total Expenditures	699,460,031	854,783,873	753,531,723	101,252,150
Excess (Deficiency) of Revenues over Expenditures	22,160,462	(34,407,900)	43,620,590	78,028,490
Other financing sources (uses):				
Transfer out	(244,915)	(9,511,139)	(9,511,139)	-
Net change in fund balances	\$ 21,915,547	\$ (43,919,039)	34,109,451	\$ 78,028,490
Fund Balance at Beginning of Year			65,897,325	
Fund Balance - June 30, 2007			\$ 100,006,776	

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2007

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the State excluding Charter Schools, for the fiscal year ended June 30, 2007 are as follows:

	<u>Revised Second Period</u>	<u>Revised Annual</u>
Elementary:		
Kindergarten	5,702	5,701
First through third grade	18,585	18,512
Fourth through eighth grade	32,540	32,622
Opportunity schools	51	59
Home and hospital - temporary physical disabilities	64	69
Special education master plan	1,673	1,689
Special Education - nonpublic, nonsectarian schools	39	40
Community day school	17	19
Extended year special education - mandated	106	106
Extended year - nonpublic, nonsectarian schools	<u>4</u>	<u>4</u>
Total elementary ADA	<u>58,781</u>	<u>58,821</u>
Secondary:		
Regular classes	24,931	24,815
Continuation education	260	241
Opportunity schools	82	90
Home and hospital - temporary physical disabilities	47	55
Special education master plan	931	923
Special Education - nonpublic, nonsectarian schools	139	139
Community day school	15	15
Extended year special education - mandated	145	145
Extended year - nonpublic, nonsectarian schools	<u>23</u>	<u>24</u>
Total secondary ADA	<u>26,573</u>	<u>26,447</u>
Regional occupation program	<u>741</u>	<u>938</u>
Adult Education:		
Concurrently enrolled	42	49
Not concurrently enrolled	<u>1,469</u>	<u>1,634</u>
Total Adult Education ADA	<u>1,511</u>	<u>1,683</u>
Total ADA	<u>87,606</u>	<u>87,889</u>

Hourly Programs

Hours of Attendance

Elementary Hourly	748,025
Secondary Summer School	<u>740,483</u>
	<u>1,488,508</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Fiscal Year Ended June 30, 2007

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2006-07 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,747	36,000	180	In compliance
Grade 1	50,400	49,930	50,400	180	In compliance
Grade 2	50,400	49,930	50,400	180	In compliance
Grade 3	50,400	49,930	50,400	180	In compliance
Grade 4	54,000	52,110	54,000	180	In compliance
Grade 5	54,000	52,110	54,000	180	In compliance
Grade 6	54,000	52,110	54,000	180	In compliance
Grade 7	54,000	52,110	54,000	180	In compliance
Grade 8	54,000	52,110	54,000	180	In compliance
Grade 9	64,800	64,800	64,800	180	In compliance
Grade 10	64,800	64,800	64,800	180	In compliance
Grade 11	64,800	64,800	64,800	180	In compliance
Grade 12	64,800	64,800	64,800	180	In compliance

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2007

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Categorical Aid Programs:			
Department of Education:			
Indian Education	84.060	(1)	\$ 23,844
Gear Up	84.334A	(1)	983,185
Smaller Learning Communities	84.215L	(1)	809,997
Elementary and Secondary School Counseling Demonstration Program	84.215E	(1)	257,228
Teaching American History Grant	84.215X	(1)	441,845
Magnet School Assistance	84.165A	(1)	2,424,808
History of the United States for Elementary Education	(1)	(1)	339,050
Reserve Officers Training Corps	84.186	(1)	396,108
Fund for the Improvement of Education	84.215K	(1)	22,365
Safe & Drug Free Schools - Emergency Response and Crisis Management	84.184E	(1)	163,766
Emergency Response & Crisis Management	84.184E	(1)	263,402
Subtotal Direct program			<u>6,125,598</u>
Pass-Through Program From			
California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	3799	43,941,481
Title I, Part B, Reading First	84.357	14328	3,817,107
Migrant Education	84.011	3239	582,358
Even Start Family Literacy	84.213	3700	152,500
Adult Ed-Adult Basic Ed	84.002A	14508	190,575
Adult Ed- Family Literacy	84.002	13977	81,225
Adult Ed- Secondary ASE/GED	84.002A	13978	27,675
Adult Ed- ESL	84.002A	13974	75,055
Title I, Non-Program Improvement LEA's with Program Improvement Schools	84.010	14796	165,000
Special Education - IDEA Basic Local Assistance Entitlement	84.027	3143	13,221,355
Special Education - Federal Preschool Grants	84.173A	3430	351,887
Special Education - Preschool Local Entitlement	84.027A	13682	944,231
Preschool Staff Development	84.173A	13431	6,291
Special Education - Early Intervention	84.181	23761	264,596
Special Education Alternative Dispute Resolution	84.027A	3007	16,826
Vocational Education-Basic Grants to States	84.048	(1)	876,458
Education Act of 1998 Postsecondary Education	84.048	13923	143,697
Safe & Drug Free Schools	84.186	1007	592,368
Title II, Part A, Improving Teacher Quality	84.367	14341	3,395,501
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.138	14334	693,023
Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.138	14368	155,178
Title V, Part A, Innovative Ed Strategies	84.298	3340	3,696,839
21st Century Learning	84.287A	10042	5,649,271
Title III, English Language Acquisition	84.365	14346	166,300
Title III, Limited English Proficient Children	84.365	10084	2,843,072
Bilingual Education - Discretionary Grants	84.	10008	90,619
Charter Schools Grant	84.282	03150	128,054
CalServe Developmental District Partnership	94.004	13161	83,736
Homeless Children Education	84.196	14332	100,000
Afterschool Enrichment Program (YMCA)	(1)	(1)	337,149
State Performance Plan Sampling Pilot	5810	14795	3,471
Standardized Testing and Reporting	(1)	24371	179,073
Subtotal: Department of Education			<u>82,971,971</u>
Total U.S. Department of Education			<u>89,097,569</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2007

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
California Service Corporation:			
Americore Planning Grant	(1)	(1)	<u>38,177</u>
Total California Service Corporation			<u>38,177</u>
Department of Rehabilitation:			
Pass-Through Program From			
California Department of Education:			
Special Education Workability II	84.158	10006	<u>180,985</u>
Total Department of Rehabilitation			<u>180,985</u>
Department of Health and Human Services:			
Head Start Training TEC			
Head Start Training TEC	93.600	(1)	33,591
Head Start Training TEC	93.600	93.600	126,620
Early Head Start	93.600	(1)	1,786,583
Headstart Services Basic	93.600	10016	<u>15,334,951</u>
Subtotal Direct program			<u>17,281,745</u>
Pass-Through Program From			
California Department of Education:			
Quality Improvement	93.575	13979	8,071
School Age Resource Contracts	93.575	13941	5,216
Infant/Toddler	93.575	13942	4,845
Medi-Cal	93.773	10013	1,536,153
Medi-Cal - Administrative	(1)	10600	<u>538,945</u>
Subtotal Pass-Through program			<u>2,093,230</u>
Total U.S. Department of Health and Human Services			<u>19,374,975</u>
Department of Labor:			
Pass-Through Program From			
the City of Long Beach:			
Workforce Investment Act	17.255	10055	<u>101,139</u>
Subtotal Department of Labor			<u>101,139</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Emergency Management Agency			
Pass-Through Program From			
California Department of Education:			
FEMA Hazard Mitigation Grant	97.039	10041	9,373
Subtotal Federal Emergency Management Agency			9,373
Department of Agriculture			
National School Lunch Program	10.555	3523	17,732,223
Especially Needy Breakfast	10.553	3526	4,531,329
Basic School Breakfast	10.553	3525	13,890
Federal Snack Program	(1)	(1)	480,475
Child and Adult Care Food Program	10.558	3527	1,436,336
Subtotal Department of Agriculture			24,194,253
Reconciliation to Federal Revenues:			
Total Federal Program Expenditures			132,996,471
Expenditure in excess of revenue related to Federal Entitlements			
Program Child and Adult Care Food			(43,350)
Program Medi-Cal			1,326,172
Program Standardized Testing and Reporting			(168,607)
Program Emergency Impact Aid for Displaced Students			221,478
Program California Alternate Placement Assessment			2,772
Total Federal Program Grants			\$ 134,334,936

(1) Federal catalog number or pass-through entity indentifying number not readily available.

The District is the recipient of a Federal award program that does not result in cash receipts or disbursements. The District was granted \$1,966,610 of commodities under the National School Lunch Program (CFDA 10.555)

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Fiscal Year Ended June 30,

	(Budget) 2008		2007		2006		2005	
	Amount	%	Amount	%	Amount	%	Amount	%
GENERAL FUND:								
Revenue								
Revenue Limit Sources	\$ 497,787,107	65.2	\$ 493,996,686	64.7	\$ 472,400,614	66.1	\$ 451,719,483	65.3
Federal	83,318,670	10.9	92,357,126	12.1	99,817,823	14.0	95,216,961	13.8
State	170,047,890	22.3	189,602,944	24.8	149,740,138	20.9	144,791,047	20.9
County and Local	8,236,326	1.1	21,195,557	2.8	16,588,110	2.3	10,417,777	1.5
Total Revenue	<u>759,389,993</u>	<u>99.4</u>	<u>797,152,313</u>	<u>104.5</u>	<u>738,546,685</u>	<u>103.3</u>	<u>702,145,268</u>	<u>101.5</u>
Expenditures								
Certificated Salaries	371,354,837	48.6	379,165,754	49.7	357,629,830	50.0	344,413,772	49.8
Classified Salaries	109,702,759	14.4	113,046,876	14.8	109,565,454	15.3	106,287,149	15.4
Employee Benefits	163,420,973	21.4	156,284,897	20.5	149,868,860	21.0	146,502,166	21.2
Books and Supplies	31,520,343	4.1	28,131,714	3.7	27,289,854	3.8	25,602,238	3.7
Services and Other Operating Expenses	78,194,091	10.2	77,086,765	10.1	71,200,240	10.0	70,541,715	10.2
Capital Outlay	1,391,695	0.2	2,104,426	0.3	2,042,272	0.3	1,609,307	0.2
Other Transfers Out	-	-	422,472	0.1	296,637	0.0	1,039,096	0.2
Direct Support/Indirect Costs	(2,783,885)	(0.4)	(2,711,181)	(0.4)	(3,691,246)	(0.5)	(5,138,012)	(0.7)
Interfund Transfers Out	10,873,477	1.4	9,511,139	1.2	662,903	0.1	1,111,365	0.2
Total Expenditures	<u>763,674,290</u>	<u>100.0</u>	<u>763,042,862</u>	<u>100.0</u>	<u>714,864,804</u>	<u>100.0</u>	<u>691,968,796</u>	<u>100.0</u>
Change in Fund Balance	\$ <u>(4,284,297)</u>	<u>(0.6)</u>	\$ <u>34,109,451</u>	<u>4.5</u>	\$ <u>23,681,881</u>	<u>3.3</u>	\$ <u>10,176,472</u>	<u>1.5</u>
Adjustment for Restatement					\$ <u>(909,245)</u>	<u>(0.1)</u>		
Ending Fund Balance	\$ <u>95,722,479</u>	<u>12.5</u>	\$ <u>100,006,776</u>	<u>13.1</u>	\$ <u>65,897,325</u>	<u>9.2</u>	\$ <u>43,124,689</u>	<u>6.2</u>
Available Reserve	\$ <u>15,257,178</u>	<u>2.0</u>	\$ <u>15,260,730</u>	<u>2.0</u>	\$ <u>14,297,129</u>	<u>2.0</u>	\$ <u>8,237,106</u>	<u>1.2</u>
Recommended Reserve Percentage		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>
Average Daily Attendance	<u>85,002</u>		<u>85,354</u>		<u>87,657</u>		<u>90,550</u>	
Total Long-Term Debt	\$ <u>294,659,082</u>		\$ <u>312,149,488</u>		\$ <u>320,259,187</u>		\$ <u>328,144,348</u>	

IMPORTANT NOTES:

Available reserves are those amounts designated for economic uncertainty and any other remaining undesignated fund balance from the General Fund.

Fiscal year 2008 original budget, as reflected in the 2007 Unaudited Actuals

All percentages are of total expenditures.

Average daily attendance is based upon P-2 and excludes Adult Education and ROP.

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2007**

<u>Charter School</u>	<u>Included in District Audit Report</u>
Emerson Charter School	Yes
New City Charter Schools	No
Constellation Charter School	No

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

	<u>Building Fund</u>
June 30, 2007 Annual Financial and Budget Report Fund Balances	\$25,303,702
Adjustments and Reclassifications:	
Decreasing the Fund Balance:	
Understatement of Accounts Payable	<u>(340,311)</u>
June 30, 2007 Audited Financial Statement Fund Balances	<u>\$24,963,391</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison Schedule For The General Fund

GASB Statement No. 34 requires a budgetary comparison be presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule was prepared for the District and is presented on the modified accrual basis of accounting.

E. Schedule of Financial Trends and Analysis

The State Controller's Office requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Schedule of Charter Schools

The State Controller's Office requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations by major object code in the General Fund.

NOTE 3 – EXCESS SICK LEAVE:

Section 19833.5(a)(3) disclosure

Long Beach Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

LONG BEACH UNIFIED SCHOOL DISTRICT

DISTRICT DEFINED TERMS For the Fiscal Year Ended June 30, 2007

Terms are **defined** to assist readers in the review of this document.

Accounts Payable: Amounts due and owed to private persons, business firms, governmental agencies, or other institutions for goods received or services rendered prior to the end of the fiscal year. The definition includes amounts billed but not yet paid.

Accounts Receivable: Amounts due and owed to the district by private persons, business firms, governmental units, or others for goods or services provided by the district prior to the end of the fiscal year. The definition includes amounts billed but for which payment is not yet received.

Accrual Basis: The method of accounting which records revenue when earned, even though not collected, and records expenses when the liabilities are incurred, even if not paid. School districts use the modified accrual basis of accounting within the individual funds.

Appropriation for Contingencies: The part of the current fiscal year's budget that is not appropriated for any specific purpose but is held in reserve, subject to intrabudget transfer, i.e., transfer to a specific appropriation account as needed during the fiscal year.

Bond: A certificate containing a written promise to pay a specified sum of money (the face value), at a fixed time in the future (the date of maturity), and specifying interest at a fixed rate, usually payable periodically.

Bond Interest and Redemption Fund: A fund established to pay bond interest and liquidate indebtedness when due and payable. The Office of the Los Angeles County Auditor-Controller reports activities in this fund to the District.

Bonded Indebtedness: An obligation incurred by the sale of bonds for the acquisition of school facilities or other capital expenditures. Since 1986, districts have been able to levy a special local property tax to amortize bonds upon approval of two-thirds of those who vote. Proposition 39 was passed in 2000 that allows for an exemption to the two-thirds voter approval.

Budget: A plan of financial operation consisting of an estimate of proposed revenue and expenditures for a given period and purpose. The word usually refers to a financial plan for a single fiscal year.

Building Fund: Established to hold funds generated for capital outlay projects. These resources may come from the sale of district facilities and property, from the sale of school district bonds, from the sale of bonds by the state government, or from a transfer of funds from the General Fund.

Capital Project Funds: Financial resources to be used for the acquisition or construction of major capital facilities.

LONG BEACH UNIFIED SCHOOL DISTRICT

DISTRICT DEFINED TERMS For the Fiscal Year Ended June 30, 2007

Capital Outlay: Amounts paid for the acquisition of fixed assets or additions to fixed assets, including land or existing buildings, improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings or initial and additional equipment that meets or exceeds the district's capitalization policy.

Deferred Revenue: Revenue received in a given period, but unearned, which is then set up as a liability to be included as revenue in subsequent budget periods.

Depreciable Capital Assets: An exhaustible capital asset that has a useful life of greater than one year, and is subject to wear. Some examples of these assets are: machinery/equipment, vehicles, portable classrooms, etc.

Fiduciary Funds: Assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Fiscal Year: A period of one year, beginning and the ending dates of which are fixed by statute. In California, the fiscal year for school districts is the period beginning on July 1 and ending on the subsequent June 30.

Fund: The sum of money or other resources set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. A fund is a separate and distinct fiscal entity.

Governmental Funds: Those funds through which most governmental functions typically are financed.

General Obligation Bonds: Bonds issued by a governmental agency. Their repayment is tied to a specific revenue source. Local school district bonds must be approved by a two-thirds vote of those who vote, while a state bond measure requires only a simple majority. Proposition 39 was passed in 2000 that allows for an exemption to the two-thirds voter approval.

Internal Service Funds: The financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. (Self-Insurance Fund for Health, Vision, and Dental coverages, Workers' Compensation and Deductible Insurance).

Liabilities: Legal obligations that are unpaid. This definition also includes deferred revenue.

Reserve for Economic Uncertainties: Typically referred to as that district reserve set aside for unforeseen conditions which may arise during the year. California has established a rate of 3% for districts of a small to medium size. The reserve rate is 2% for the district's General Fund.

LONG BEACH UNIFIED SCHOOL DISTRICT

DISTRICT DEFINED TERMS For the Fiscal Year Ended June 30, 2007

Revenue: An addition to assets, not accompanied by an obligation to perform service or deliver products. The major categories are:

1. Revenue Limit – state income under Proposition 98 formulas.
2. Federal Revenues are categorical funds allocated to serve identified student populations. All Federal funds are restricted as to their use.
3. Other State Income includes most of the state categorical programs. These funds are all restricted except for most of State Lottery proceeds and all mandated cost reimbursements.
4. Other Local Revenue is minimal; most of these income items are unrestricted with the exception of voted tax levies, transportation fees, and transfers from other agencies for special education purposes.

Revenue Limit: The maximum amount of annual revenue that a district can collect for general purposes from a combination of local property taxes and state aid (the Prop. 98 formula). In addition to revenue limit income, a district may receive state and federal categorical aid, locally-approved special purpose taxes, and other sources of local income such as interest earned, rents and donations. The Revenue Limit is composed of a base revenue limit – an amount for basic educational services apportioned per unit of Average Daily Attendance (ADA). It is re-computed by formula each year from the previous year's base revenue limit – and a number of revenue limit adjustments authorized in annual school finance legislation.



**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 Education
Long Beach Unified School District
1515 Hughes Way
Long Beach, California 90810

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District) as of and for the year ended June 30, 2007 which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2007. 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 Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

**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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting which are described in the accompanying schedule of findings and questioned costs as items 07-01, 07-02, 07-04 and 07-06.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 07-06, 07-07, and 07-09.

Long Beach Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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**

This report is intended solely for the information and use of management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller'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

December 6, 2007



**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 Education
Long Beach Unified School District
1515 Hughes Way
Long Beach, California 90810

Compliance

We have audited the compliance of Long Beach Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

**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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 is described in the accompanying schedule of findings and questioned costs as item 07-09.

Internal Control Over Compliance

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

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

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

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

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

**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 management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller'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

December 6, 2007



REPORT ON STATE COMPLIANCE

Board of Education
Long Beach Unified School District
1515 Hughes Way
Long Beach, California 90810

We have audited the basic financial statements of the Long Beach Unified School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the 2006-07 Standards and Procedures for Audits of California K-12 Local Educational Agencies [published by the Education Audit Appeals Panel]. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Yes

REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community day schools	9	No (see below)
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Morgan-Hart class size reduction program	7	Not applicable
Instructional materials:		
General requirements	12	Yes
Grades K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of administrative employees to teachers	1	Yes
Early retirement incentive program	4	Not applicable
GANN limit calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership		
System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-Safe) Program	3	Yes
School Accountability Report Card	3	Yes
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Yes
Nonclassroom-based instructional/independent study	15	Yes
Determination of funding for nonclassroom-based instruction	3	Yes
Annual instructional minutes – classroom based	3	Yes

REPORT ON STATE COMPLIANCE

We did not perform testing for Community Day Schools because the ADA was under the level which requires testing. The District did not participate in the Morgan-Hart class size reduction program. The District had two options under which to implement class size reduction; the District exercised Option 1, therefore, audit procedures for Option 2 were not performed. Testing for Emerson Charter School was done in conjunction with the District audit. The District did not participate in the Early Retirement Incentive Program; therefore, the compliance procedures are not applicable. Testing for all other Charter Schools was done by each school's respective auditor.

Based on our audit, we found that, for the items tested, the Long Beach Unified School District complied with the laws and regulations of the state programs referred to above, except for item 07-06 described in the schedule of findings and questioned costs section of this audit report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Long Beach Unified School District had not complied with the laws and regulations of state programs and requirements, except as noted in the schedule of findings and questioned costs section of this audit report.

This report is intended solely for the information and use of management, the audit committee, Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller'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

December 6, 2007

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2007

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? 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
 Significant deficiencies 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>
10.555 and 10.553	Child Nutrition Cluster
84.334A	GEAR-UP
84.165A	Magnet School Assistance
84.011	Migrant Education
84.365	Title III, Limited English Proficient Children
84.215X	Teaching American History Grant
84.010	Title I

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? X Yes No

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

All audit findings must be identified as one or more of the following ten categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

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.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-01 – CAPITAL ASSET PROCEDURES

20000

Original Finding 04-08

Finding: According to District policy, all equipment purchases over \$5,000 should be added to the fixed asset listing. While testing the additions in the current year, we noted one item was not appropriately added. The effect is that the asset listing was understated by \$58,821. We also noted three assets under the capitalization threshold were charged to the 6400 object code. In addition, the District's Board policy states that the method of depreciation is straight-line with no salvage value. The system, GFAMS, is calculating two different monthly depreciation expense amounts. One amount is in line with District policy as stated above, however for the financial report it is using the other amount which is incorrect. This was noted when several assets were selected to recalculate the depreciation expense, three of ten assets tested were incorrect.

Questioned Costs: Not applicable

Recommendation: We recommend that all items that qualify be added to GFAMS promptly, upon delivery to the District. Only assets that will be capitalized should be charge to the 6400 object code, non-capitalized equipment should be charged to object code 4400. Additionally, develop procedures to ensure items delivered directly to sites are tagged through alternate procedures. It is our understanding that the vendor is no longer supporting GFAMS software. Therefore, we recommend that the District find software to track the depreciable assets and calculate depreciation to avoid potential misstatements.

District Response: The finding references one item not properly tagged and recorded in the fixed asset system by June 30, 2007. The item was flagged improperly in inventory control due to the variety of items purchased in addition to the equipment. This oversight has been rectified and the fixed asset system has been brought up to date. It is standard during year end processing to make the inventory of these directly shipped items a priority for inventory control.

Three other items were recorded in error to object code 6400 - capitalized equipment. These items are under the \$5,000 threshold for capitalization and should have been coded to object code 4400 - inventorable equipment. The policy and procedure for proper account coding of capitalized assets will be readdressed with appropriate staff.

The District is currently in the process of finding new software for tracking fixed assets including calculating depreciation.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000

Original Finding 04-09

I. Standardized system development methodology

Finding: The District has not implemented a standardized system development methodology that would document how the organization acquires, develops, documents and maintains software systems. The District has designed and developed significant systems for the financial reporting of the District. Developing software can allow more risk if the development and modifications are not well-controlled with formal procedures for systems analysis, documentation standards, modification controls, testing and resolving of conflicts and ongoing maintenance.

Questioned Costs: Not applicable

Recommendation: We recommend the processes be formally documented. All staff members should be trained in these processes and procedures. Internal Audit should monitor compliance with the procedures annually.

District Response: The District agrees that a standardized process for submitting development requesting, estimating time and costs, approvals and project management are needed and should be compartmentalized. Current staffing levels require that our application developers also perform application support, job costing, needs assessment and project management.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000
(continued)

II. Disaster Recovery Plan

Finding: A written disaster recovery plan helps to ensure that an organization can efficiently recover after a significant interruption of information systems services. A written plan should include recovery roles and responsibilities, emergency contacts, prioritization of systems and applications, recovery procedures and vendor contacts. Although the District has backup procedures, the district does not have a written comprehensive disaster recovery plan.

Questioned Costs: Not applicable

Recommendation: We recommend the District develop a formal comprehensive disaster recovery plan. The plan should be prepared and regularly updated. It should be tested at least annually and the results of these tests be reviewed by Internal Audit and presented to the Board. Any complications found and/or modifications should be resolved and their resolution documented.

District Response: The District agrees that a Business Continuity Plan is a prudent measure to mitigate risk. The District does have a Disaster Recovery *Strategy* for key business components. These procedures are tested and refined on an ongoing basis. This is yet to be developed into a formal Disaster Recovery or Business Continuity plan. The District intends to create a scope of work to solicit proposals and cost estimates for such a plan. Those estimates will be presented to senior administrators and the District will implement all funded plans and/or plan elements.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000
(continued)

III. Access and modification controls

Finding: In a controlled development environment, it is essential that production data and programs be protected from unauthorized manipulation and modification. We found that software developers have access to production systems. Additionally, the District had a consultant review their system for access controls. The results of this review still found deficiencies in the system that leave the District open to unauthorized manipulation.

Questioned Costs: Not applicable

Recommendation: Production areas are where the actual programs process the actual data and access to these areas should be severely limited. Only after testing is code moved to the production library. These changes must be well documented and someone not in the programming staff must perform the movement of programs to the production library.

District Response: The District ensures that access to sensitive data is limited and provided only to individuals whose job function requires access. All code changes are currently tested in a test environment before moving them to production. The Information Services Branch is awaiting organizational guidance and the completion of a Technology Master Plan to further address this issue. At this time, the District does not have the qualified staff to complete these tasks. The District relies on a specific Vendor Compliance agreement to establish the boundaries for contractors. When it is necessary to have contractors implement changes it is under the direct supervision of a qualified and knowledgeable District employee acting as the project manager.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000
(continued)

IV. Access and modification controls

Finding: The information systems department does not have a standardized process for documenting changes to their various systems. Each development group documents and tracks changes to their system based on their own preferences and needs.

Questioned Costs: Not applicable

Recommendation: The change control process should be standardized for all systems in the department. This process should document the change request, its priority, subsequent disposition, testing results, sign off by the user and cross referencing to the changed programs. The change requests should be maintained in a department wide repository.

District Response: The District agrees that formal Change Management and Change Control processes should be implemented. Infrastructure and software are in place to allow for these processes to begin. The District intends to implement a Change Management and Change Control process before the end of the 2007/08 fiscal year.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-03 – SELF INSURANCE PROGRAMS

60000

Original Findings 04-03 and 04-04

Finding: The District has made significant improvements in the management of its self insured programs. One of the findings reported in prior year audits related to the fact that two of the self insured programs; Property and Liability and Workers' Compensation, were under-funded. The District has developed a plan to recover these deficits over time. The District did eliminate the negative ending fund balance for Property and Liability and made progress on the Workers' Compensation fund. However, at the end of June 30, 2007 there is still a deficit reported in the Workers Comp sub-fund of (\$2,642,155).

In addition, there are still unresolved issues with the previous administrators in both the medical program and the workers' compensation program. The District had the Blue Shield claims process audited for the 2004/05 fiscal year, however only limited procedures were performed on the audit of claims for the other administrators. This includes the tracking of stop loss payments made to the administrators that have not been accounted for.

It is our understanding that the Director of Risk Management is currently working on implementing spot checking controls of claims payments, but is in need of electronic data base files from some vendors and adequate staffing. This is one of the most crucial internal controls in this area.

Questioned Costs: Not Applicable

Recommendation: Continue to implement the recovery plan for the District's self-insured program to assure solvency of the programs. We believe it is critical that the District continue the efforts to obtain a thorough audit of the claims expenses and other expenses previously made.

District Response: The District will continue to closely monitor the workers' compensation expenditures and follow its plan to eliminate the deficit before the close of the 2007/08 fiscal year.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-04 – CAPITAL FACILITIES

60000

Original Finding 06-05

Finding: The District receives a percent of the collection of developer fees from the appropriate City governments. The District does not verify or do a periodic review of the cities to ensure that the developer fees submitted by the cities are the full and correct amount to be received. Controls should be implemented and reviewed for developer fees that are collected by cities and distributed to the District to ensure the full amount legally available to the District is intact.

Questioned Costs: Not Applicable

Recommendation: We recommend a periodic audit by the internal audit department be done to ensure that the District is receiving what they are entitled to and that the cities have controls in place for collection of fees. The District may also want to consider collecting their own fees to allow for greater control and more expedient collection of these fees.

District Response: The District agrees that it is beneficial to perform periodic reviews to ensure that fees collected by the Cities are full and correct amounts. The District has determined that transitioning the collection of developer fees back to the District directly will ensure that the proper fees are collected. The District has been working to develop internal procedures as well as identify responsible staff for the collection of fees in order to prepare for this transition. The District anticipates the final transition to occur in March 2008 for the Cities of Lakewood and Signal Hill and April 2008 for the City of Long Beach as there is a mandatory notification period to the Cities.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-05 – ANTI FRAUD PROGRAM

60000

Original Finding 06-06

Finding: In accordance with our auditing standard (SAS 99) related to our consideration of fraud, we are required to assess the organization's anti-fraud program. The District has incorporated many processes and procedures over the past few years including implementing a hotline, adopting a code of ethics, and providing more independence for internal audit by revising reporting structure. However we believe that additional controls and policies would strengthen the District's programs and bring it into alignment with the newly published recommendations issued by the American Institute of Certified Public Accountants. The following recommendations for improvements are the result of our analysis.

Recommendation:

- 1) Integrate ethics and fraud awareness into training programs for both certificated and classified employees. This is a good time to promote the organizational-wide code of ethics. This will demonstrate the organization's commitment to a high standard of ethics and its vigilant posture in regards to fraud awareness.
- 2) Conduct an analysis of the role internal audit has in developing and implementing the antifraud program. Currently internal audit focuses primarily on attendance and Associated Student Body Funds. Although these are both critical areas, we believe that other areas warrant periodic internal review, such as payroll, cash receipts, journal entries, purchasing, food service, etc. Surprise audits can be a very effective tool in the preventing and detecting fraud. Items to consider including in the analysis are; the emphasis and focus of internal audit, whether the staffing levels are appropriate, whether training programs are sufficient and whether the organizational structure provides a sufficient level of authority, independence and oversight. We believe that it would be beneficial to identify high risk areas on an annual basis, and incorporate random audits and reviews of internal controls.

District Response: The District adopted an ethics policy on May 15, 2007. As part of the strategic planning group, a pocket size pamphlet on the Code of Ethics, Strategic Plan, Shared Values and Beliefs, has been distributed to employees. Also, the ethics policy is given to new employees when they are hired. Employees are encouraged to report any suspected fraud through the District Fraud Hotline promoted with posters located in each office and school site location.

The District will continue to review the role of Internal Audit and develop audit plans for the coming years. The plans will include areas of interest to review for internal controls, routine and random audits, and other areas deemed appropriate.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-06 – ATTENDANCE

10000
40000

Finding: During testing of attendance the following exceptions were noted:

- Analytical review of attendance does not seem to occur by District personnel. During our review of attendance, explanations for variances in attendance were vague and inadequate.
- There is no oversight for the attendance process. Additionally, there is no evidence that the work performed by the attendance clerk is reviewed for accuracy. This results in several revisions of the period 2 and period annual attendance reports.
- The staffing for the attendance accounting is low. For 100 sites there is one person that is responsible for attendance reporting, instructional minutes and class size reduction reporting.
- During testing of Class Size Reduction it was noted that the reports used to complete the J-7 CSR reports include independent study and special education students. Based on further inquiry, it was noted that there is not enough time for the attendance clerk to extract all of these students for reporting purposes. While the number is possibly insignificant to the overall amount, it is still misreported.

Questioned Costs: We are unable to determine the amount of questioned costs.

Recommendation: The District should evaluate the importance of increasing positions for attendance reporting and other related requirements. Furthermore, a District employee should review and analyze the work of the attendance clerk for accuracy.

District Response: The District acknowledges that the Budget Branch has reduced staff due to budget cuts. The District will consider additional resources during heavy processing periods and will attempt to find controls with staffing levels that are more challenging.

Analytical review is done monthly by the District Attendance Accountant. Site Attendance clerks revise data periodically throughout the school year and submit these reports to the District Attendance Accountant. The District Attendance Accountant reviews and analyzes reports that are submitted by the Site Attendance clerks, then, prepares spreadsheets for State attendance reports which are balanced with site attendance reports.

The District will implement a procedure to lock out Site Attendance staff from making revisions to data after State reports are prepared. Necessary subsequent revisions will be processed only by the District Attendance Accountant.

The J-7 CSR reports included independent study students in error, however, this error did not result in any changes to the class size averages and the CSR report remained unchanged. It has been noted that the necessary data can be reported from the District's attendance system, excluding independent study students.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-07 – REDEVELOPMENT AGENCY FEES

60000

Finding: The District receives monies associated with Redevelopment Projects that are within the boundaries of the District. There has been much confusion over the years about whether these monies should be considered property tax collections and offset against the revenue limit. Based on our understanding and recent clarifications of the law in this area, the district may need to apply 43.3% of these monies as property tax collections and therefore be included in the amount received for taxes from community redevelopment agencies in the revenue limit calculation. This will revise the amount due from the State for apportionment purposes.

Recommendation: We believe the District should obtain an updated legal opinion in this regard. If a change is warranted, new accounting procedures should be put in place to properly account for these monies in the appropriate funds and in the revenue limit calculation. There is a FCMAT alert issued on this subject matter dated May 30, 2007 which may be very helpful in resolving this matter.

In addition, it may be useful for the District to have another study performed on the existing arrangements because the last study dated April 2004 did not have projected revenue information for some of the projects, such as West Beach, West Long Beach Industrial and Poly High.

District Response: The District agrees that it would be beneficial to have an updated study performed to assess all redevelopment areas and corresponding arrangements along with legal review. The District is currently in the process of conducting this review and has the need to hire consulting firms to assist in this effort. As an interim precautionary measure, the District has not nor intends to utilize monies received and collected in this fund until such assessment is completed.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-08 - ENCROACHMENT IN CHILD DEVELOPMENT FUND 60000

Finding: In 2006-07 there was a transfer from the general fund to the Child Development Fund of approximately \$1.2 million. An encroachment has occurred in prior years as well; however the amount is increasing. We believe the amount is unreasonably high and this type of encroachment is highly unusual. The cause of the encroachment was partially due to the implementation of GASB 45 in which charges were made for the first time in relation to the post employment benefits (approximately \$300,000), however the majority of the encroachment (over \$510,000) relates to the nutrition program. This program should operate without an encroachment.

Recommendation: The District should thoroughly analyze the causes for the encroachment and develop a plan to minimize the encroachment of operating these programs. An analysis of the relationship of costs are charged from the food service program should be included in this analysis.

District Response: The District will monitor the Child Development Fund throughout the year and meet with the program directors in order to develop a plan to eliminate the encroachment.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2007

FINDING 07-09 – FEDERAL FIXED ASSETS

50000

Federal Program: Magnet School Assistance Program
Federal Catalog No.: 84.165A
Federal Award Number and Year: U165A040114-06 and 3
Federal Agency: U.S. Department of Education
Total Program Expenditures: \$2,424,808
Compliance: F. Equipment and Real Property Management

Finding: According to District policy and OMB Circular A-133, all equipment purchases over \$5,000 should be added to the fixed asset listing, while testing equipment purchased with Federal funds, we noted one item out of five tested that was not properly added to the equipment listing. This asset was an allowable expenditure.

Questioned Costs: \$26,020 is the amount of the asset in question, however as indicated above this is an allowable expenditure under program guidelines.

Recommendation: We recommend that all items that qualify be added to GFAMS promptly, upon delivery to the District. Additionally, develop procedures to ensure items delivered directly to sites are tagged through alternate procedures.

District Response: The audit process identified one item, purchased with federal funds, not added to the fixed asset tracking system; this item has now been added. The item, a marquee, was delivered directly to the school site. It is standard during year end processing to make the inventory of these directly shipped items a priority for inventory control.

**STATUS OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS**

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

FINDING 06-01 – CAPITAL ASSET PROCEDURES

20000

Original Finding 04-08

Finding: According to District policy, all equipment purchases over \$5,000 should be added to the fixed asset listing. While testing the additions in the current year, we noted six items were not appropriately added. Upon investigation, we found that these items were delivered directly to the sites for installation and were not tagged by the warehouse. The effect is that the asset listing was understated by \$135,042. In addition, the District's Board policy states that the method of depreciation is straight-line with no salvage value. The system, GFAMS, is calculating two different monthly depreciation expense amounts. One amount is in line with District policy as stated above, however for the financial report it is using the other amount which is incorrect. This was noted when several assets were selected to recalculate the depreciation expense, five of twelve assets tested were incorrect.

Questioned Costs: Not applicable

Recommendation: We recommend that all items that qualify be added to GFAMS promptly, upon delivery to the District. Additionally, develop procedures to ensure items delivered directly to sites are tagged through alternate procedures. It is our understanding that the vendor is no longer supporting GFAMS software. Therefore, we recommend that the District find software to track the depreciable assets and calculate depreciation to avoid potential misstatements.

Current Status: Not implemented. See current year finding at 07-01.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

FINDING 06-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000

Original Finding 04-09

I. Standardized system development methodology

Finding: The District has not implemented a standardized system development methodology that would document how the organization acquires, develops, documents and maintains software systems. The District has designed and developed significant systems for the financial reporting of the District. Developing software can allow more risk if the development and modifications are not well-controlled with formal procedures for systems analysis, documentation standards, modification controls, testing and resolving of conflicts and ongoing maintenance.

Questioned Costs: Not applicable

Recommendation: We recommend the processes be formally documented. All staff members should be trained in these processes and procedures and internal audit should monitor compliance with the procedures annually.

Current Status: Not implemented. See current year finding 07-02.

II. Disaster Recovery Plan

Finding: A written disaster recovery plan helps to ensure that an organization can efficiently recover after a significant interruption of information systems services. A written plan should include recovery roles and responsibilities, emergency contacts, prioritization of systems and applications, recovery procedures and vendor contacts. Although the District has backup procedures, the district does not have a written comprehensive disaster recovery plan.

Questioned Costs: Not applicable

Recommendation: We recommend the District develop a formal comprehensive disaster recovery plan. The plan should be prepared and regularly updated. It should be tested at least annually and the results of these tests be reviewed by internal audit and presented to the Board. Any complications found and/or modifications should be resolved and their resolution documented.

Current Status: Not implemented. See current year finding 07-02.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

FINDING 06-02 - INFORMATION SYSTEMS DEPARTMENT REVIEW 30000
(continued)

III. Access and modification controls

Finding: In a controlled development environment, it is essential that production data and programs be protected from unauthorized manipulation and modification. We found that software developers have access to production systems.

Questioned Costs: Not applicable

Recommendation: Production areas are where the actual programs process the actual data and access to these areas should be severely limited. Only after testing is code moved to the production library. These changes must be well documented and someone not in the programming staff must perform the movement of programs to the production library.

Current Status: Not implemented. See current year finding 07-02.

IV. Access and modification controls

Finding: The information systems department does not have a standardized process for documenting changes to their various systems. Each development group documents and tracks changes to their system based on their own preferences and needs.

Questioned Costs: Not applicable

Recommendation: The change control process should be standardized for all systems in the department. This process should document the change request, its priority, subsequent disposition, testing results, sign off by the user and cross referencing to the changed programs. The change requests should be maintained in a department wide repository.

Current Status: Not implemented. See current year finding 07-02.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2007

FINDING 06-03 – STATE COMPLIANCE – TEACHER CREDENTIALS 40000

Finding: State compliance guidelines require that we review and verify valid teaching credentials for teachers. At Fremont Elementary School, one teacher did not have a valid teaching credential for part of the 2005-06 fiscal year. The teacher's credential expired December 1, 2005. The State requires that all teachers have a valid teaching credential or a State waiver. Pursuant to *Education Code* Section 45037(b), this condition can result in a penalty based on the percentage of days taught by the non-credentialed teacher in relation to the total days taught in the District. This percentage is then applied to the District's revenue limit entitlement to determine the amount of the penalty.

Questioned Cost: The penalty calculated pursuant to *Education Code* Section 45037(b) is \$93,098.

Recommendations: We recommend that the District immediately contact the California Commission on Teacher Credentialing (CCTC) and inquire if a waiver can be obtained from the CCTC that would be effective from December 1, 2005 through June 16, 2006. The District should continue to monitor the recently implemented procedures that require review of teacher's credentials throughout the entire year and seek resolution regarding potential loss of ADA and incentive funding.

Current Status: Implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

FINDING 06-04 – SELF INSURANCE PROGRAMS

60000

Original Findings 04-03 and 04-04

Finding: The District has made significant improvements in the management of its self insured programs. One of the findings reported in prior year audits related to the fact that two of the self insured programs; Property and Liability and Workers' Compensation, were under-funded. The District has developed a plan to recover these deficits over time. The District did eliminate the negative ending fund balance for Property and Liability and made progress on the Workers' Compensation fund. However, at the end of June 30, 2006 there is still a deficit reported in the Workers Comp sub-fund of (\$19,880,364).

In addition, there are still unresolved issues with the previous administrators in both the medical program and the workers' compensation program. The District had the Blue Shield claims process audited, however only limited procedures were performed on the audit of claims for the other administrators. This includes the tracking of stop loss payments made to the administrators that have not been accounted for.

It is our understanding that the Director of Risk Management is currently working on implementing spot checking controls of claims payments, but is in need of electronic data base files from some vendors and adequate staffing. This is one of the most crucial internal controls in this area.

The Board has approved additional staff positions however suitable candidates have not been located. Interviews occurred in September 2006.

Questioned Costs: Not Applicable

Recommendation: Continue to implement the recovery plan for the District's self insured program to assure solvency of the programs. We believe it is critical that the District continue the efforts to obtain a thorough audit of the claims expenses and other expenses previously made. And finally, we believe that attention be given to the staffing needs of risk management to assure that there are adequate resources, both in number of staff and competency level to best protect and monitor these self insured programs.

Current Status: Improvement noted. See current year finding 07-03.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2007

FINDING 06-05 – CAPITAL FACILITIES

60000

Finding: The District receives a percent of the collection of developer fees from the appropriate City governments. The District does not verify or do a periodic review of the cities to ensure that the developer fees submitted by the cities are the full and correct amount to be received. Controls should be implemented and reviewed for developer fees that are collected by cities and distributed to the District to ensure the full amount legally available to the District is intact.

Questioned Costs: Not Applicable

Recommendation: We recommend a periodic audit by the internal audit department be done to ensure that the District is receiving what they are entitled to and that the cities have controls in place for collection of fees. The District may also want to consider collecting their own fees to allow for greater control and more expedient collection of these fees.

Current Status: Not implemented. See current year finding 07-04.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2007

FINDING 06-06 – ANTI-FRAUD PROGRAM

60000

Finding: In accordance with our auditing standard (SAS 99) related to our consideration of fraud, we were required to assess the organizations anti-fraud program. The District has many processes and procedures in place however we believe that additional controls and policies would strengthen the District's programs and bring into alignment with the newly published recommendations issued by the American Institute of Certified Public Accountants. The following recommendations for improvements are the result of our analysis.

Recommendation:

- 1) Adopt an organizational-wide code of ethics, which is permeated throughout the organization at least annually. It is important to provide a written document to promote ethical conduct throughout the District. This should be communicated to employees annually and included in training programs offered by the District.
- 2) Integrate ethics and fraud awareness into training programs for both certificated and classified employees. This will demonstrate the organization's commitment to a high standard of ethics and its vigilant posture regards to fraud awareness.
- 3) Conduct an analysis of the role internal audit has in developing and implementing the antifraud program. Items to consider include the emphasis and focus of internal audit, whether the staffing levels are appropriate, whether training programs are sufficient and whether the organizational structure provides a sufficient level of authority, independence and oversight.
- 4) Review and clarify the make up and role of the audit committee. We believe it may be appropriate to expand the audit committee to include additional members from sources independent of the District. We believe that increased objectivity and independence could be accomplished by having internal audit provide periodic reports to the audit committee.

Current Status: Improvement noted. See current year finding 07-05.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
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FINDING 06-07 – COUNTY SCHOOL FACILITIES FUND

60000

Finding: The District has transferred bond monies into the County School Facilities Fund to cover their state match and to pay for facilities projects. Some of these projects have not been approved for state funding. The District has a tracking system in place to properly account for these projects, which are approved bond projects; however, the funds are being expended from the County School Facilities Fund (Fund 35) instead of the Bond Building Fund. (Fund 21)

Recommendation: We recommend that only those projects that are state approved projects be accounted for in Fund 35. Bond monies that have been transferred into the County School Facilities Fund that are not for state approved projects, should be transferred back to the Bond Building Fund. At June 30, 2006 the District believes that approximately \$10,000,000 is in the County School Facilities Fund that will be transferred to the bond fund in 2006-07. It should be noted that there have not been state monies spent for unauthorized projects.

Current Status: Implemented.

FINDING 06-08 – REQUIRED ROUTINE MAINTENANCE

60000

Finding: Per Education Code Section 17070.75, the District is required to deposit 3% of its total general fund expenditures budget, including other financing uses, to an account for routine repair and maintenance. The District has incorrectly calculated this amount by excluding from the total budget those expenditures budgeted for maintenance expenses. The District deposited \$19,449,224, which is short by \$787,065 when the calculation is done properly.

However, we believe that per the Education Code, the District may apply up to ½ percent of the budget towards the amount contributed to the Deferred Maintenance Fund. The District did not do so in 2005-06. The District uses local bond monies to fund the state required match and therefore, this expenditure does not appear in the general fund. We believe it is appropriate to use this match as part of meeting the RRM requirements, even though the amount was not expended from the general fund. Doing so, the District has exceeded the required RRM expenditures and therefore has met the current year RRM requirement.

Questioned Costs: Not Applicable

Recommendation: The District must correct its calculation of the RRM requirement for 2006-07 and should transfer the state match from the Bond Building Fund to the General Fund to assure that the accounting system properly reports the total RRM expenditures.

Current Status: Implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

FINDING 06-09 – SCHOOLWIDE PROGRAM PLAN

50000

Original Finding 05-07

Program: Special Education

CFDA Number: 84.027, 84.173A and 84.181

Total Program Expenditures: \$15,082,101

Finding: 34 CFR Section 200.28(e) requires a school wide program in an elementary school to include plans for assisting preschool students in the successful transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a preschool program under IDEA or a State-run preschool program, to the schoolwide program. This topic was not specified in six of the ten elementary site plans reviewed during the audit. It is our understanding that the District did not know this element was mandatory.

Questions Costs: Not applicable

Recommendation: We recommend that the school wide plans be revised to include specific transition plans for pre-K students into the school wide program.

Current Status: Implemented.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

FINDING 06-10 – MULTI-FUNDED EMPLOYEES

50000

Federal Program: Adult Education
Federal Catalog No.: 84.002A
Total Program Expenditures: \$403,425

Finding: During our testing of federal programs, it was noted that two out of ten employees tested did not have the proper documentation to support the allocation of time and effort for multi-funded employees whose salaries are charged to one or more Federal programs. Salaries charged to a categorically funded program must have the proper documentation as required by OMB circular A-87. Categorical funding could be disallowed if adequate documentation is not maintained.

Questioned Costs: Approximately \$44,260 for the two employees.

Recommendation: The District should maintain an accurate and current listing of all employees that fall under this requirement and verify on a regular basis that the appropriate supporting documentation is obtained and maintained.

Current Status: Implemented.