

**LONG BEACH
UNIFIED SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2010**

**LONG BEACH UNIFIED SCHOOL DISTRICT
 AUDIT REPORT
 For the Fiscal Year Ended June 30, 2010
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Board of Education
Long Beach Unified School District
Long Beach, California

INDEPENDENT AUDITOR'S REPORT

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 fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Long Beach Unified School District's management. Our responsibility is to express opinions 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 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010 on our consideration of the Long Beach Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13, the budgetary comparison schedule on pages 67 through 68, and the schedule of funding progress on page 69 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, which consisted 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 Long Beach Unified School District's basic financial statements. The schedule of financial trends and analysis, and the schedule of expenditures of federal awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christine White Accountancy Corporation

San Diego, California
October 26, 2010

Management's Discussion and Analysis

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

This discussion and analysis of Long Beach Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

The Long Beach Unified School District has earned a reputation as one of America's finest school systems, winning many awards as a national model of excellence. The school district was named the 2003-04 national winner of the \$500,000 Broad Prize for Urban Education, recognizing America's best urban school system for increasing student achievement. LBUSD also has been a five-time finalist for the prize.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS

- The comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Long Beach Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements also look at the District's major funds with all other non-major funds presented in total in one column.
- The major funds for the Long Beach Unified School District are the General Fund and the Building (Bond) Fund.
- The Management's Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Government-wide revenues decreased by 2.4% to a total of \$838.7 million. Total expenses exceeded revenues by \$3.0 million.
- General revenues accounted for \$558.3 million or 66.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$280.4 million or 33.4% of total revenues of \$838.7 million.
- Long-term outstanding debt has increased by \$8.5 million or 1.5%. The debt increased as a result of other postemployment benefits and capital leases, but general obligation bonds decrease as result of the issuance of bonds used to refund portions of Series A-D of the Measure A general obligation bonds.
- Capital assets increased by 2.3% to \$955.4 million.
- The General Fund reported a positive fund balance of \$99.9 million; this is an increase of \$9.1 million from the prior year ending balance of \$90.8 million.

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balances of \$404.6 million, compared to last year's combined ending balances of \$412.3 million.

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Change in Net Assets

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component of this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we combine District activities as follows:

Governmental activities – All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Business-like activities – The District's self-insurance operations are reported in this category. Premium payments and operating transfers from the other District funds finance most of these activities.

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Internal service funds – 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 – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund 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 statement because it is prohibited for using these assets to finance its operations.

Proprietary funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. These statements provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and retiree health benefits held in trust. The District's fiduciary activities are reported in a separate *Statement of Net Assets and Liabilities*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$436.3 million for the fiscal year ended June 30, 2010. Of this amount, \$80.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1) and changes in net assets (Table A-2) of the District's governmental activities.

Table A-1
Long Beach Unified School District's Net Assets

	Governmental Activities		Total
	2009	2010	Percentage
			Change
	2009	2010	2009-10
Current assets	\$ 545,694,509	\$ 520,664,510	-4.6%
Noncurrent assets	577,547,784	586,545,409	1.6%
Total assets	1,123,242,293	1,107,209,919	-1.4%
Current liabilities	138,210,074	135,652,618	-1.9%
Noncurrent liabilities	545,703,617	535,265,179	-1.9%
Total liabilities	683,913,691	670,917,797	-1.9%
Total net assets	\$ 439,328,602	\$ 436,292,122	-0.7%

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

THE DISTRICT AS A WHOLE (continued)

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues for the year.

Table A-2
Changes in Long Beach Unified School District's Net Assets

	Governmental Activities		Total
	2009	2010	Percentage
			Change
			2009-10
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 9,526,286	\$ 7,581,866	-20.4%
Operating grants and contributions	304,384,223	262,182,862	-13.9%
Capital grants and contributions	26,222	10,646,887	40502.9%
<i>General revenues</i>			
Property taxes	94,115,860	118,199,886	25.6%
Other revenues	451,270,929	440,134,847	-2.5%
Total revenues	<u>859,323,520</u>	<u>838,746,348</u>	-2.4%
Expenses:			
Instruction-related	602,214,561	595,289,286	-1.1%
Student support services	94,622,375	91,072,658	-3.8%
Maintenance and operations	98,767,391	85,793,684	-13.1%
Administration	34,706,748	34,262,500	-1.3%
Ancillary, Community, and Enterprise activities	9,576,205	8,205,119	-14.3%
Debt Service	18,883,535	27,523,719	45.8%
Other expenses	(975,343)	(364,138)	-62.7%
Total expenses	<u>857,795,472</u>	<u>841,782,828</u>	-1.9%
Change in net assets	<u>\$ 1,528,048</u>	<u>\$ (3,036,480)</u>	-298.7%

Revenues decreased 2.4% primarily due to state budget cuts and declining district enrollment. Expenditures decreased 1.9% due primarily to Board implemented budget cuts.

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

THE DISTRICT AS A WHOLE (continued)

Governmental Activities

As reported in the Statement of Activities on page 15, the cost of all our governmental activities this year was \$841.8 million (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$118.2 million because the cost was paid by those who benefited from the programs (\$7.6 million), by other governments and organizations who subsidized certain programs with grants and contributions (\$697.4 million) or through other local sources (\$15.5 million).

Table A-3
Net Costs of Long Beach Unified School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 595,289,286	\$ 401,487,411
Pupil support services	91,072,658	27,162,822
Maintenance and operations	85,793,684	74,802,436
Administration	34,262,500	26,240,072
Other expenses	35,364,700	31,678,472
Total expenses	\$ 841,782,828	\$ 561,371,213

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, the governmental funds reflected a combined fund balance amount of \$404.6 million, compared to last year's net asset amount of \$412.2 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times: see Budgetary Comparison Schedule on page 67. The following were the major changes between original and final budget:

- Revenues for grants and entitlements from federal, state and local resources are budgeted as sources identified throughout the year. These additional revenues represented an 8% increase in the combined revenue categories.
- Expenditures are appropriated throughout the year that were not included in the adopted budget. In 09-10 increases of \$10.9 million or 3% were made to certificated salaries, \$3.6 million to employee benefits, and \$15.8 million or 23% to services and other operating expenses. Funds carried over from the previous fiscal year balances are included in the revised final budget.

Even with these adjustments to revenues and expenses throughout the fiscal year actual revenue and expenditures reflected lower amounts. The variances resulted from:

- Actual revenues available were \$32.7 million below final budgeted amounts. Differences represent grant monies that have been received but not spent by June 30, 2010.
- Expenditure categories generally reflected lower amounts than the final budgeted amount. The balances that were generated by restricted grants and entitlements will become carryover funds in the 2010-11 year.

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$955.4 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment (refer to Table A-4). This amount represents an increase of \$21.9 million or 2.3% from last year.

Table A-4
Long Beach Unified School District's Capital Assets

	Governmental Activities		Total
	2009	2010	Percentage
			Change
	2009	2010	2009-10
Land	\$ 112,655,482	\$ 113,922,550	1.1%
Site improvements	20,095,777	20,790,558	3.5%
Buildings	701,490,647	706,125,925	0.7%
Furniture and equipment	83,534,142	89,673,302	7.3%
Construction in progress	15,785,475	24,906,165	57.8%
Total capital assets	\$ 933,561,523	\$ 955,418,500	2.3%

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of this year, the District had \$569.0 million, in long-term debt, which is an increase of 1.5% (refer to Table A-5). General Obligation Bonds accounted for \$542.0 million, excluding the deferred amount on refunding. The remaining \$30.1 million represents the value of accumulated employee vacation time, capital leases and the net OPEB obligation.

Table A-5
Long Beach Unified School District's Long-Term Debt

	Governmental Activities		Total
	2009	2010	Percentage
			Change
			2009-10
Compensated absences	\$ 10,849,106	\$ 10,665,475	-1.7%
Net OPEB obligation	4,765,724	15,558,671	226.5%
Capital leases	-	3,878,001	100.0%
General obligation bonds	544,910,637	538,918,206	-1.1%
Total long-term debt	\$ 560,525,467	\$ 569,020,353	1.5%

LONG BEACH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately \$25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately \$6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit factor offsets the loss keeping funding levels in 2010-11 the same as 2009-10, and without the \$253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12. The District has prudently decided not to take advantage of relaxed reserve requirements.

Other Factors

Enrollment

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the Long Beach Unified School District budget for the 2010-11 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business and Financial Officer, 1515 Hughes Way; Long Beach, CA 90810.

Financial Section

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 387,358,195
Accounts receivable	125,828,169
Inventories	2,035,862
Prepaid expenses	5,400,353
Other current assets	41,931
Total current assets	<u>520,664,510</u>
Noncurrent assets:	
Capitalized fees	3,102,565
Capital assets:	
Land	113,922,550
Site improvements	20,790,558
Buildings	706,125,925
Furniture and equipment	89,673,302
Construction in progress	24,906,165
Less accumulated depreciation	<u>(371,975,656)</u>
Total capital assets, net of depreciation	<u>583,442,844</u>
Total noncurrent assets	<u>586,545,409</u>
Total assets	<u>1,107,209,919</u>
LIABILITIES	
Current liabilities:	
Accounts payable	46,438,070
Deferred revenue	788,337
Estimated liability for open claims and IBNR's	51,568,472
Compensated absences payable, current	9,163,367
Capital leases payable, current	1,209,372
General obligation bonds payable, current	26,485,000
Total current liabilities	<u>135,652,618</u>
Noncurrent liabilities:	
Compensated absences payable, noncurrent	1,502,108
Capital leases payable, noncurrent	2,668,629
General obligation bonds payable, noncurrent	491,060,606
Unamortized premiums on long-term debt	23,189,795
Accreted interest on capital appreciation bonds	1,285,370
Postemployment benefits	15,558,671
Total noncurrent liabilities	<u>535,265,179</u>
Total liabilities	<u>670,917,797</u>
NET ASSETS	
Invested in capital assets, net of related debt	269,751,601
Restricted for:	
Capital projects	12,422,983
Debt service	39,217,699
Educational programs	34,435,062
Unrestricted	80,464,777
Total net assets	<u>\$ 436,292,122</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Primary government:					Governmental Activities
Governmental activities:					
Instructional services:					
Instruction	\$ 510,749,605	\$ 516,300	\$ 148,594,902	\$ 10,646,887	\$ (350,991,516)
Instruction-related services:					
Supervision of instruction	30,720,608	93,638	25,169,013	-	(5,457,957)
Instructional library, media and technology	8,025,493	2,879	3,978,281	-	(4,044,333)
School site administration	45,793,580	5,482	4,794,493	-	(40,993,605)
Pupil support services:					
Home-to-school transportation	15,777,867	491	7,639,056	-	(8,138,320)
Food services	31,290,438	5,155,763	27,573,561	-	1,438,886
All other pupil services	44,004,353	14,335	23,526,630	-	(20,463,388)
General administration services:					
Data processing services	7,074,914	-	65	-	(7,074,849)
Other general administration	27,187,586	63,028	7,959,335	-	(19,165,223)
Plant services	85,793,684	1,211,463	9,779,785	-	(74,802,436)
Ancillary services	983,035	1,700	8,424	-	(972,911)
Community services	7,203,680	1,986	437,127	-	(6,764,567)
Enterprise activities	18,404	-	-	-	(18,404)
Interest on long-term debt	27,523,719	-	-	-	(27,523,719)
Other outgo	(364,138)	514,801	2,722,190	-	3,601,129
Total governmental activities	<u>\$ 841,782,828</u>	<u>\$ 7,581,866</u>	<u>\$ 262,182,862</u>	<u>\$ 10,646,887</u>	<u>(561,371,213)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					76,389,527
Property taxes, levied for debt service					39,163,215
Property taxes, levied for other specific purposes					2,647,144
Federal and state aid not restricted to specific purpose					424,588,590
Interest and investment earnings					1,689,535
Miscellaneous					13,856,722
					<u>558,334,733</u>
					Change in net assets (3,036,480)
					Net assets - July 1, 2009 439,328,602
					<u>\$ 436,292,122</u>

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 62,502,179	\$ 224,633,368	\$ 87,690,313	\$ 374,825,860
Accounts receivable	115,012,016	766,657	9,408,071	125,186,744
Due from other funds	13,806,184	8,931,447	3,676,062	26,413,693
Inventories	798,478	-	1,237,384	2,035,862
Prepaid expenditures	282,673	-	-	282,673
Other current assets	41,935	-	-	41,935
Total assets	<u>\$ 192,443,465</u>	<u>\$ 234,331,472</u>	<u>\$ 102,011,830</u>	<u>\$ 528,786,767</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 27,984,390	\$ 3,156,537	\$ 2,699,276	\$ 33,840,203
Due to other funds	61,383,574	3,355,342	22,339,251	87,078,167
Deferred revenue	3,104,125	-	126,106	3,230,231
Total liabilities	<u>92,472,089</u>	<u>6,511,879</u>	<u>25,164,633</u>	<u>124,148,601</u>
FUND BALANCES				
Reserved for:				
Inventories	798,478	-	1,237,384	2,035,862
Revolving cash	399,850	-	1,395	401,245
Prepaid expenditures	282,673	-	-	282,673
Debt service	-	-	39,217,699	39,217,699
Categorical programs	34,067,452	-	367,610	34,435,062
Designated; reported in:				
Economic uncertainties	14,603,894	-	-	14,603,894
Contingencies	49,819,029	-	-	49,819,029
Special revenue funds	-	-	9,213,235	9,213,235
Capital project funds	-	227,819,593	26,809,874	254,629,467
Total fund balances	<u>99,971,376</u>	<u>227,819,593</u>	<u>76,847,197</u>	<u>404,638,166</u>
Total liabilities and fund balances	<u>\$ 192,443,465</u>	<u>\$ 234,331,472</u>	<u>\$ 102,011,830</u>	<u>\$ 528,786,767</u>

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds \$ 404,638,166

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets is \$955,418,500 and the accumulated depreciation is (\$371,975,656). 583,442,844

In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds, but are recognized in the government-wide statements, is: 2,441,894

In governmental funds, interest on noncurrent liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (8,991,690)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in assets on the government-wide statement of net assets are: 5,073,211

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including noncurrent liabilities, are reported. Noncurrent liabilities relating to governmental activities consist of:

Compensated absences payable	\$ 10,665,475	
Capital leases payable	3,878,001	
General obligation bonds payable	517,545,606	
Unamortized premiums on long-term debt	23,189,795	
Accreted interest	1,285,370	
Deferred amount on refunding	(3,102,565)	
Postemployment benefits	15,558,671	(569,020,353)
		<hr/>

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

 18,708,050

Total net assets - governmental activities \$ 436,292,122

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
General revenues:				
Property taxes	\$ 76,430,203	\$ -	\$ 41,769,683	\$ 118,199,886
Federal and state aid not restricted to specific purpose	424,588,590	-	-	424,588,590
Interest and investment earnings	1,075,523	-	614,014	1,689,537
Miscellaneous	11,053,040	-	361,787	11,414,827
Program revenues:				
Charges for services	216,728	-	7,365,139	7,581,867
Operating grants and contributions	199,565,691	3,341,212	59,275,960	262,182,863
Capital grants and contributions	-	-	10,646,887	10,646,887
Total revenues	712,929,775	3,341,212	120,033,470	836,304,457
EXPENDITURES				
Instructional services:				
Instruction	469,284,339	-	21,740,422	491,024,761
Instruction-related services:				
Supervision of instruction	25,906,606	-	4,487,430	30,394,036
Instructional library, media and technology	7,389,951	-	-	7,389,951
School site administration	44,062,174	-	1,209,421	45,271,595
Pupil support services:				
Home-to-school transportation	15,752,176	-	-	15,752,176
Food services	4,129	-	31,541,472	31,545,601
All other pupil services	41,461,244	-	2,055,668	43,516,912
General administration services:				
Data processing services	6,448,023	-	-	6,448,023
Other general administration	24,277,636	-	1,509,944	25,787,580
Plant services	77,779,957	-	9,482,468	87,262,425
Facility acquisition and construction	792,012	11,602,368	7,579,214	19,973,594
Ancillary services	978,199	-	-	978,199
Community services	7,116,960	-	1,137	7,118,097
Enterprise activities	16,067	-	-	16,067
Other outgo:				
Transfers between agencies	124,426	-	-	124,426
Debt service - principal	-	-	6,260,000	6,260,000
Debt service - interest	-	-	20,627,201	20,627,201
Debt service - issuance costs and discounts	-	1,000	-	1,000
Total expenditures	721,393,899	11,603,368	106,494,377	839,491,644
Excess (deficiency) of revenues over (under) expenditures	(8,464,124)	(8,262,156)	13,539,093	(3,187,187)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	16,891,176	-	9,946,309	26,837,485
Interfund transfers out	(8,800,785)	(5,600,000)	(16,891,176)	(31,291,961)
All other financing sources	9,500,000	-	-	9,500,000
All other financing uses	-	-	(9,500,000)	(9,500,000)
Total other financing sources and uses	17,590,391	(5,600,000)	(16,444,867)	(4,454,476)
Net change in fund balances	9,126,267	(13,862,156)	(2,905,774)	(7,641,663)
Fund balances, July 1, 2009	90,845,109	241,681,749	79,752,971	412,279,829
Fund balances, June 30, 2010	\$ 99,971,376	\$ 227,819,593	\$ 76,847,197	\$ 404,638,166

The notes to financial statements are an integral part of this statement.

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, 2010

Total net change in fund balances - governmental funds \$ (7,641,663)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 23,134,586	
Depreciation expense	<u>(15,961,917)</u>	7,172,669

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 6,260,000

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: (3,601,856)

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. This year, the difference between OPEB costs and actual employer contributions was: (10,792,947)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period was: 489,564

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (3,294,662)

In the statement of activities, compensated absences 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*). 183,629

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues related to the current period, less revenues that became available in the current period but related to a prior period is: 2,441,894

OPSC savings on capital projects: A planned capital project was completed under budget and the remaining funds are recorded as an OPSC savings in the funds. Cost savings for such projects were: (1,277,611)

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. 7,024,503

Change in net assets of governmental activities \$ (3,036,480)

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Fund Net Assets – Proprietary Funds
June 30, 2010

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS	
Cash	\$ 12,532,335
Due from other funds	61,385,732
Accounts receivable	163,050
Prepaid expenditures	44,465
Total assets	<u>74,125,582</u>
LIABILITIES	
Accounts payable and accrued liabilities	3,604,402
Due to other funds	244,658
Estimated liability for open claims and IBNRs	51,568,472
Total liabilities	<u>55,417,532</u>
NET ASSETS	
Unrestricted	18,708,050
Total net assets	<u>\$ 18,708,050</u>

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Governmental Activities
	Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Charges to other funds	\$ 74,258,830
Total operating revenues	<u>74,258,830</u>
 OPERATING EXPENSES	
Classified salaries	471,603
Employee benefits	186,968
Books and supplies	77,662
Services and other operating expenditures	71,256,996
Total operating expenses	<u>71,993,229</u>
 Operating income	 2,265,601
 NON-OPERATING REVENUES	
Interest income	<u>304,427</u>
 Income before transfers	 2,570,028
Interfund transfers in	<u>4,454,476</u>
 Change in net assets	 7,024,504
 Net assets, July 1, 2009	 <u>11,683,546</u>
 Net assets, June 30, 2010	 <u>\$ 18,708,050</u>

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Governmental Activities
	Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 46,315,193
Cash payments for payroll, insurance and operating costs	(77,067,001)
Net cash used in operating activities	<u>(30,751,808)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	304,427
Net cash provided by investing activities	<u>304,427</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interfund transfers in	4,454,476
Net cash provided by transfers	<u>4,454,476</u>
 Net decrease in cash	(25,992,905)
 Cash, July 1, 2009	<u>38,525,240</u>
 Cash, June 30, 2010	<u>\$ 12,532,335</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,265,601
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	444,514
Increase in due from other funds	(28,388,150)
Increase in prepaid expenditures	(44,465)
Increase in accounts payable	14,661,909
Decrease in due to other funds	(86,727)
Decrease in estimated claims	<u>(19,604,490)</u>
Net cash used in operating activities	<u>\$ (30,751,808)</u>

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2010

	Fiduciary Fund	Agency Funds	
	Warrant Pass-Through Fund	Student Body Funds	Total
ASSETS			
Cash	\$ 606,959	\$ 5,007,551	\$ 5,614,510
Accounts receivable	478,375	22,653	501,028
Stores inventory	-	36,510	36,510
Due from other funds	1,775	15,629	17,404
Total assets	<u>1,087,109</u>	<u>5,082,343</u>	<u>6,169,452</u>
LIABILITIES			
Accounts payable	-	89,739	89,739
Due to other funds	-	6,207	6,207
Due to student groups/other agencies	130,358	3,254,343	3,384,701
Total liabilities	<u>130,358</u>	<u>3,350,289</u>	<u>3,480,647</u>
NET ASSETS			
Unrestricted	<u>956,751</u>	<u>1,732,054</u>	<u>2,688,805</u>
TOTAL NET ASSETS	<u><u>\$ 956,751</u></u>	<u><u>\$ 1,732,054</u></u>	<u><u>\$ 2,688,805</u></u>

The notes to financial statements are an integral part of this statement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

Long Beach Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The following are those aspects of the relationship between the District and the component units that satisfy GASB Statement No. 14 criteria.

Accountability:

1. The District's Board of Education appointed the component units' board of directors.
2. The District is able to impose its will upon the component units, based on the following:
 - a. All major financing arrangements, contracts, and other transactions of the component units must have the consent of the District.
 - b. The District exercises significant influence over operations of the component units, as the District is the sole lessee of all facilities owned by the component units. Likewise, the District's lease payments are the major revenue source of the component units.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting Entity (continued)

Accountability (continued):

3. The component units provide specific financial benefits or impose specific financial burdens on the District, based on the following:
 - a. Any deficits incurred by the component units will be reflected in the lease payments of the District.
 - b. Any surpluses of the component units revert to the District at the end of the lease period.
 - c. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the component units.

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

1. Charter Schools – The following independent charter schools operate within the District's boundaries. These charter schools receive their funding directly from other government agencies, and have separate governing boards. Each charter school has an independent audit performed annually. The financial information has been grouped by business type, i.e., not-for-profit or governmental. The condensed unaudited financial information for June 30, 2010 is presented below:

	<u>Collegio New City</u>	<u>Constellation</u>	<u>New City</u>	<u>Rosie the Riveter</u>
Total Assets	\$ 632,059	\$ 271,882	\$ 2,904,583	\$ 186,657
Total Liabilities	539,028	56,602	2,014,906	9,862
Fund Balance	<u>\$ 93,031</u>	<u>\$ 215,280</u>	<u>\$ 889,677</u>	<u>\$ 176,795</u>
Total Revenues	\$ 820,383	\$ 990,781	\$ 4,327,018	\$ 440,511
Total Expenditures	<u>820,383</u>	<u>2,057,033</u>	<u>4,158,350</u>	<u>344,813</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ (1,066,252)</u>	<u>\$ 168,668</u>	<u>\$ 95,698</u>

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

2. Long Beach Education Foundation – The Foundation is a separate not-for-profit corporation established with the express purpose of promoting and assisting the educational program of the District in accordance with the mission, policies and priorities of the District. 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.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting Entity (continued)

Accountability (continued):

3. 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 Government 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.

4. 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 material to the District.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. 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.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the enterprise fund are parent fees for child care programs.

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 90 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary and fiduciary funds, as follows:

Major Governmental Funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Building Fund* is used to account for repairs, construction and/or acquisition of major capital facilities and the proceeds of Measure A and K general obligation bonds.

Non-major Governmental Funds:

1. *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:
 1. The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
 2. The *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.
 3. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

4. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.
 5. The *Special Reserve Fund (Other than Capital Outlay)* is used to set aside funds for general operating purposes.
2. **Capital Projects Funds** are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains four non-major capital project funds:
 1. The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
 2. The *State School Building Lease-Purchase Fund* is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings.
 3. The *County School Facilities Fund* is used to receive apportionments from the 1998 State School Facilities Fund, the 2002 State School Facilities Fund, or the 2005 State School Facilities Fund for new school facility construction.
 4. The *Special Reserve Fund* for Capital Outlay Projects provides for the accumulation of General Fund moneys for capital outlay purposes.
 3. **Debt Service Funds** are established to account for the accumulation of resources for the payment of principal and interest on general long-term debt.
 1. The *Bond Interest and Redemption Fund* is used for the repayment of bonds issued for the District.

Proprietary Funds:

- **Internal Service Funds** are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is more fully discussed in Note 9.

Fiduciary Funds:

- **Agency Funds** are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the supplementary information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

H. Assets, Liabilities, and Equity

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 held in the county treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

2. Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year 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.

4. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide 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 for equipment purchased and for improvement of land, modernization of buildings and construction of new buildings. 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 estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5-20 years
Vehicles	6 years

5. 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, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because 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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued and any premiums or discounts are reported as other financing sources and uses.

8. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. 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, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

9. 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.

I. Revenue Limit/Property Tax

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 15 and March 15. Property taxes on the unsecured roll are due on the lien date (August 31). Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment. The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating 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. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating 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, *Accounting and Financial Reporting for Non-exchange Transactions*.

L. New GASB Pronouncement

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Governmental	Proprietary	Total	Fiduciary
	Funds	Funds	Governmental	Funds
			Activity	
Cash in county treasury	\$ 368,671,817	\$ 11,702,335	\$ 380,374,152	\$ 606,959
Cash on hand and in banks	5,656,462	-	5,656,462	5,007,551
Cash in revolving fund	401,245	830,000	1,231,245	-
Collections awaiting deposit	96,336	-	96,336	-
Total cash and cash equivalents	<u>\$ 374,825,860</u>	<u>\$ 12,532,335</u>	<u>\$ 387,358,195</u>	<u>\$ 5,614,510</u>

Policies and Practices

Governmental agencies in the state of California are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool, as the District is required to deposit all receipts and collections of monies with its County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is disclosed in the notes to the financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Los Angeles County Investment Pool with a fair value of approximately \$383,199,017 and an amortized book value of \$380,981,111. The average weighted maturity for this pool is 536 days.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Los Angeles County Treasurer is at least A by Standard and Poor's.

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 policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of \$11,895,258 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining amount was collateralized with securities held by the pledging financial institution's trust department or agency.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of the following:

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Federal	\$ 27,106,884	\$ -	\$ -
State categorical	11,442,959	-	-
Other	86,636,901	163,050	478,375
Total accounts receivable	<u>\$ 125,186,744</u>	<u>\$ 163,050</u>	<u>\$ 478,375</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 4 - INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2010 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 13,806,184	\$ 61,383,574
Building Fund	8,931,447	3,355,342
Non-Major Funds:		
Special Revenue Funds:		
Adult Education Fund	47,735	418,236
Child Development Fund	54,164	3,032,010
Cafeteria Fund	181,174	10,067,919
Deferred Maintenance Fund	3,100,000	8,476
Capital Projects Funds:		
Capital Facilities Fund	91,321	24,579
County School Facilities Fund	201,668	8,788,031
Proprietary Fund:		
Self-Insurance Fund	<u>61,385,732</u>	<u>244,658</u>
Total	<u><u>\$ 87,321,050</u></u>	<u><u>\$ 87,321,050</u></u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 4 - INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2009-10 fiscal year are as follows:

Transfer from Special Reserve Fund for Other than Capital Outlay Projects to General Fund for General Fund expenditures	\$ 13,291,733
Transfer from Special Reserve Fund to General Fund for General Fund Expenditures	3,599,443
Transfer from General Fund to the Adult Education Fund for Lottery Allocations	40,572
Transfer from Building Fund to the Deferred Maintenance Fund for estimated match necessary to qualify for State Funds	3,100,000
Transfer from the General Fund to the Adult Education Fund for revenue to maintain Adult Education program	4,055,700
Transfer from Building Fund to the County Schools Facilities Fund for project expense	2,500,000
Transfer from General Fund to the Child Development Fund to cover expenses for Child Development program	53,216
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement	196,821
Transfer from the General Fund to the Self Insurance Fund to cover property and liability claims	<u>4,454,476</u>
Total	<u><u>\$ 31,291,961</u></u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 5 – FUND BALANCES

The following fund balance amounts were reserved by the District’s governing Board as of June 30, 2010, as follows:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Cash in Revolving fund	\$ 399,850	\$ 1,395	\$ 401,245
Inventory	798,478	1,237,384	2,035,862
Prepaid Expenses	282,673	-	282,673
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,481,001</u>	<u>\$ 1,238,779</u>	<u>\$ 2,719,780</u>

The following ending balances were legally restricted as to use:

General Fund:

ARRA: State Fiscal Stabilization Fund	\$ 19,312,098
Medi-Cal Billing Option	1,489,985
CalEnglish Language Acquisition Program	1,759,329
Lottery: Instructional Materials	2,591,240
Economic Impact Aid	4,096,285
Limited English Proficiency	2,727,834
Quality Education Investment Act	183,505
Donor Restricted Gifts	1,907,176
Total	<u>\$ 34,067,452</u>

Adult Education Fund:

Lottery: Instructional Materials	\$ 52,385
Donor Restricted Gifts	44,331
Total	<u>\$ 96,716</u>

Child Development Fund:

Child Nutrition Program - CCFP	\$ 248,437
Donor Restricted Gifts	22,458
Total	<u>\$ 270,895</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 5 – FUND BALANCES (continued)

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

General Fund:

Economic Uncertainties	\$ 14,603,894
Contingencies	49,819,029
Total	<u>\$ 64,422,923</u>

Building Fund:

Contingencies and Special Purposes	<u>\$ 227,819,594</u>
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Contingencies and Special Purposes:

Adult Education Fund	\$ 293,278
Cafeteria Fund	3,464,916
Deferred Maintenance Fund	5,205,745
Special Reserve Fund for Other Than Capital Outlay Projects	249,294
Capital Facilities Fund	6,208,369
State School Building Fund	26,785
County School Facilities Fund	6,187,829
Special Reserve Fund for Capital Outlay Projects	14,386,890
Total	<u>\$ 36,023,106</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for June 30, 2010 is shown below:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 112,655,482	\$ 1,267,068	\$ -	\$ 113,922,550
Work in progress	15,785,475	14,096,817	4,976,127	24,906,165
Total capital assets not being depreciated	<u>128,440,957</u>	<u>15,363,885</u>	<u>4,976,127</u>	<u>138,828,715</u>
Capital assets being depreciated:				
Land improvements	20,095,777	1,031,230	336,449	20,790,558
Buildings and improvements	701,490,647	4,874,944	239,666	706,125,925
Machinery, vehicles, and equipment	83,534,142	8,235,640	2,096,480	89,673,302
Total capital assets being depreciated	<u>\$ 805,120,566</u>	<u>\$ 14,141,814</u>	<u>\$ 2,672,595</u>	<u>\$ 816,589,785</u>
Less accumulated depreciation:				
Land improvements	14,023,485	815,871	336,449	14,502,907
Buildings and improvements	269,151,381	13,058,436	239,666	281,970,151
Machinery, vehicles, and equipment	72,838,873	4,760,205	2,096,480	75,502,598
Total accumulated depreciation	<u>356,013,739</u>	<u>18,634,512</u>	<u>2,672,595</u>	<u>371,975,656</u>
Total capital assets being depreciated, net	<u>449,106,827</u>	<u>(4,492,698)</u>	<u>-</u>	<u>444,614,129</u>
Governmental activities capital assets, net	<u>\$ 577,547,784</u>	<u>\$ 10,871,187</u>	<u>\$ 4,976,127</u>	<u>\$ 583,442,844</u>

Depreciation expense was allocated to the following functions:

Governmental Activities:	
Instruction	\$ 14,228,573
Instruction - Related Services	548,221
Pupil Services	69,918
General Administration	584,004
Plant Services	531,202
	<u>584,918</u>
Net governmental activities depreciation expense	<u>\$ 15,961,918</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – 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>Operating Leases</u>
2010-11	\$ 736,118
2011-12	343,642
2012-13	97,001
2013-14	10,195
2014-15	1,200
Total	<u>\$ 1,188,156</u>

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts Due</u> <u>Within One Year</u>
Compensated absences	\$ 10,849,106	\$ 8,378,219	\$ 8,561,850	\$ 10,665,475	\$ 9,163,367
Net OPEB obligation	4,765,724	10,792,947	-	15,558,671	-
Capital lease obligation	-	3,878,001	-	3,878,001	1,209,372
General obligation bonds					
General obligation bonds payable	525,070,606	51,720,000	59,245,000	517,545,606	26,485,000
Bond premium	19,422,836	4,658,623	891,664	23,189,795	-
Accreted interest on capital appreciation bonds	417,195	868,175	-	1,285,370	-
Deferred amount on refunding	-	(3,102,565)	-	(3,102,565)	-
Total long-term debt	<u>\$ 560,525,467</u>	<u>\$ 77,193,400</u>	<u>\$ 68,698,514</u>	<u>\$ 569,020,353</u>	<u>\$ 36,857,739</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

Capital Leases

The District leases various equipment items under agreements that provide for title to pass upon execution of a bargain purchase option. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2010-11	\$ 1,269,841
2011-12	1,146,643
2012-13	1,029,827
2013-14	701,096
2014-15	98,527
2015-16	2,409
Total	<u>4,248,343</u>
Less: amount representing interest	<u>370,342</u>
Present value of minimum lease payments	<u>\$ 3,878,001</u>

General Obligation Bonds

Measure A Series

On March 30, 1999, the District voters approved the issuance of \$295,000,000 of general obligation bonds under the provisions of Title I, Division 1, Part 10, Chapter 2 of the State of California Education Code, commencing with 151000. 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), 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.

On July 17, 2008, the District issued General Obligation Bonds, Election 1999, Series G of \$14,345,000 of current interest bonds and \$15,650,606 of capital appreciation bonds.

On July 17, 2008, the District issued 2008 General Obligation Refunding Bonds of \$38,320,000 of current interest bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A through D) of the District and to pay the cost of issuance associated with the Refunding Bonds.

On April 7, 2009, the District issued 2009 General Obligation Refunding Bonds, Series B of \$28,465,000 of current interest bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A through C) of the District and to pay the cost of issuance associated with the Refunding Bonds.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

Measure A Series (continued)

The proceeds associated with the Refunding Bonds Series A and Series B were deposited in an escrow fund for future repayment. At June 30, 2010, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$7,795,000. These bonds are considered fully defeased and are not recorded on the financial statements.

On February 3, 2010, the District issued \$51,720,000 of 2010 general obligation refunding bonds. The bonds consist of serial and term bonds bearing fixed rates ranging from 2.50% to 5.25% with annual maturities from August 2013 through August 2029. The net proceeds of \$56,087,565 (after issuance costs of \$291,058, plus premium of \$4,658,623) were used to refund \$52,985,000 of the District's outstanding Election of 1999 Series A, C, D, E, and F general obligation bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$3,102,565 remain to be amortized. As of June 30, 2010, the principal balance outstanding on the defeased debt amounted to \$52,985,000.

The refunding decreased the District's total debt service payments by \$3,111,171. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$2,915,751.

Measure K Series

On November 4, 2008, the voters approved the issuance of bonds, not to exceed \$1,200,000,000. On April 7, 2009, the District issued Series A of 2008 General Obligation Bonds of \$260,000,000. The bonds were issued for the purpose of refunding the District's outstanding 2008 Capital Project Notes and paying for the cost of new construction, reconstruction or modernization of some or all of the schools within the District.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

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), February 1, 2007 (Series E and F), February 1, 2009 (Series G and Refunding Bond Series A), and August 1, 2009 (Refunding Bond Series B and Measure K Series A). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or 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.

Capital appreciation bonds issued for Series G have maturity dated from August 1, 2023 through August 1, 2033. Prior to the maturity date, the bond will accrete interest on the principal component.

A schedule of changes in long-term debt for the year ended June 30, 2010 is as follows:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date (1)</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Deletions (2)</u>	<u>Outstanding June 30, 2010</u>
Measure A								
Series A	7/15/1999	4.5%-7.5%	8/1/2029	\$ 25,000,000	\$ 7,705,000	\$ -	\$ 7,705,000	\$ -
Series B	7/1/2000	5.0%-8.0%	8/1/2029	30,000,000	690,000	-	690,000	-
Series C	8/1/2001	4.3%-7.3%	8/1/2031	60,000,000	28,940,000	-	9,135,000	19,805,000
Series D	5/1/2002	4.125%-6.0%	8/1/2031	40,000,000	29,705,000	-	11,720,000	17,985,000
Series E	5/1/2003	2.0%-5.0%	8/1/2032	60,000,000	54,390,000	-	15,000,000	39,390,000
Series F	6/1/2004	3.5%-5.375%	8/1/2033	50,000,000	46,860,000	-	14,590,000	32,270,000
Series G	7/17/2008	3.5%-5.44%	8/1/2033	29,995,606	29,995,606	-	-	29,995,606
Accreted Interest					417,195	868,175	-	1,285,370
Refunding Bond								
2008 Series A	7/17/2008	2.57%-4.28%	8/1/2022	38,320,000	38,320,000	-	-	38,320,000
2009 Series B	4/7/2009	3.0%-5.25%	8/1/2029	28,465,000	28,465,000	-	405,000	28,060,000
2010 Series C	2/3/2010	2.5%-5.125%	8/1/2029	51,720,000	-	51,720,000	-	51,720,000
Bond Premium					19,422,836	4,658,623	891,664	23,189,795
Measure K								
Series A	4/7/2009	3.5%-5.0%	8/1/2033	260,000,000	260,000,000	-	-	260,000,000
			Total	\$ 673,500,606	\$ 544,910,637	\$ 57,246,798	\$ 60,136,664	\$ 542,020,771

(1) Revised maturity date on non-funded portion:

Series A 3/3/2010
Series B 8/1/2009

(2) Redeemed current year to refunded bond escrow agents:

Series A \$ 7,105,000
Series C \$ 7,835,000
Series D \$ 10,805,000
Series E \$ 13,645,000
Series F \$ 13,595,000

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

Payments

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Measure A, Series G, Refunding Bonds, Series A and B, 2010 Refunding, and Measure K, Series A bonds included a premium of \$1,021,276, \$2,308,212, \$994,834, \$4,658,623 and \$15,098,514, respectively. This amount is amortized using a straight-line method. Amortization of \$891,664 was recognized during the 2009-10 year.

In addition, the associated issuance costs are netted against the premium on the statement of net assets and are amortized to interest expense over the life of the liability. Issuance costs of \$1,856,302 related to the Measure K, Series A bond, and \$291,058 related to the 2010 Refunding, are amortized using the straight-line method. Amortization of \$125,956 was recognized during the 2009-10 year.

Payments – Measure A Series

A. Series C

The annual requirements to amortize Series C bond payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ -	\$ 1,007,588	\$ 1,007,588
2012	-	1,007,588	1,007,588
2013	-	1,007,588	1,007,588
2014	-	1,007,588	1,007,588
2015	-	1,007,588	1,007,588
2016-2020	-	5,037,938	5,037,938
2021-2025	-	5,037,938	5,037,938
2026-2030	12,515,000	3,818,694	16,333,694
2031-2032	7,290,000	378,481	7,668,481
Total	<u>\$ 19,805,000</u>	<u>\$ 19,310,991</u>	<u>\$ 39,115,991</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

B. Series D

The annual requirements to amortize Series D bond payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 955,000	\$ 875,375	\$ 1,830,375
2012	-	851,500	851,500
2013	-	851,500	851,500
2014	-	851,500	851,500
2015	-	851,500	851,500
2016-2020	-	4,257,500	4,257,500
2021-2025	1,780,000	4,213,000	5,993,000
2026-2030	10,340,000	2,570,500	12,910,500
2031-2033	4,910,000	248,500	5,158,500
Total	<u>\$ 17,985,000</u>	<u>\$ 15,570,875</u>	<u>\$ 33,555,875</u>

C. Series E

The annual requirements to amortize Series E bond payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 1,410,000	\$ 1,780,250	\$ 3,190,250
2012	1,465,000	1,733,463	3,198,463
2013	1,525,000	1,681,138	3,206,138
2014	1,575,000	1,626,888	3,201,888
2015	-	1,599,325	1,599,325
2016-2020	3,755,000	7,697,725	11,452,725
2021-2025	4,880,000	7,004,375	11,884,375
2026-2030	14,380,000	4,298,813	18,678,813
2031-2033	10,400,000	756,438	11,156,438
Total	<u>\$ 39,390,000</u>	<u>\$ 28,178,415</u>	<u>\$ 67,568,415</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

Payments – Measure A Series

D. Series F

The annual requirements to amortize Series F bond payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 1,040,000	\$ 1,578,175	\$ 2,618,175
2012	1,090,000	1,529,013	2,619,013
2013	1,135,000	1,477,475	2,612,475
2014	1,190,000	1,422,325	2,612,325
2015	-	1,395,550	1,395,550
2016-2020	-	6,977,750	6,977,750
2021-2025	3,940,000	6,776,050	10,716,050
2026-2030	11,865,000	4,548,125	16,413,125
2031-2034	12,010,000	1,240,500	13,250,500
Total	<u>\$ 32,270,000</u>	<u>\$ 26,944,963</u>	<u>\$ 59,214,963</u>

E. Series G

The annual requirements to amortize Series G bond payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ -	\$ 680,150	\$ 680,150
2012	-	680,150	680,150
2013	-	680,150	680,150
2014	-	680,150	680,150
2015	-	680,150	680,150
2016-2020	7,605,000	2,966,225	10,571,225
2021-2025	8,714,544	3,455,266	12,169,810
2026-2030	6,086,333	11,374,942	17,461,275
2031-2034	7,589,729	17,989,937	25,579,666
Total	<u>\$ 29,995,606</u>	<u>\$ 39,187,120</u>	<u>\$ 69,182,726</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

Payments – Measure A Series

F. Refunding Bond, Series A

The annual requirements to amortize refunding bond payable, Series A, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ -	1,691,900	\$ 1,691,900
2012	730,000	1,677,300	2,407,300
2013	1,690,000	1,628,900	3,318,900
2014	3,290,000	1,529,300	4,819,300
2015	4,540,000	1,372,700	5,912,700
2016-2020	24,165,000	3,800,775	27,965,775
2021-2023	3,905,000	299,625	4,204,625
Total	<u>\$ 38,320,000</u>	<u>\$ 12,000,500</u>	<u>\$ 50,320,500</u>

G. Refunding Bond, Series B

The annual requirements to amortize refunding bond payable, Series B, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 820,000	\$ 1,363,494	\$ 2,183,494
2012	1,090,000	1,329,394	2,419,394
2013	1,510,000	1,277,394	2,787,394
2014	-	1,247,194	1,247,194
2015	-	1,247,194	1,247,194
2016-2020	-	6,235,969	6,235,969
2021-2025	15,465,000	4,189,700	19,654,700
2026-2030	9,175,000	1,195,416	10,370,416
Total	<u>\$ 28,060,000</u>	<u>\$ 18,085,755</u>	<u>\$ 46,145,755</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – LONG-TERM DEBT (continued)

Payments – Measure A Series

H. Refunding Bond, Series C

The annual requirements to amortize refunding bond payable, Series C, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ -	\$ 2,159,117	\$ 2,159,117
2012	-	2,369,763	2,369,763
2013	-	2,369,763	2,369,763
2014	970,000	2,354,863	3,324,863
2015	3,015,000	2,281,138	5,296,138
2016-2020	14,515,000	9,788,969	24,303,969
2021-2025	23,320,000	4,996,731	28,316,731
2026-2030	9,900,000	986,744	10,886,744
Total	<u>\$ 51,720,000</u>	<u>\$ 27,307,088</u>	<u>\$ 79,027,088</u>

Payments – Measure K Series

A. Series A

The annual requirements to amortize Series A bond payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 22,260,000	\$ 12,130,850	\$ 34,390,850
2012	16,085,000	11,387,225	27,472,225
2013	18,710,000	10,628,925	29,338,925
2014	9,015,000	10,021,875	19,036,875
2015	10,335,000	9,591,750	19,926,750
2016-2020	71,120,000	38,887,225	110,007,225
2021-2025	37,230,000	24,218,931	61,448,931
2026-2030	34,580,000	16,384,125	50,964,125
2031-2034	40,665,000	4,382,281	45,047,281
Total	<u>\$ 260,000,000</u>	<u>\$ 137,633,187</u>	<u>\$ 397,633,187</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 9 – 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 partially self insured for property and liability, health, vision dental and workers compensation. These funds account for and finance the uninsured portion of the losses. The District participates in a Joint Powers Authority for liability and property claims in excess of the amount provided by the Deductible Insurance fund and for certain other risks. 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 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 large self insured health programs claims.

The District is self insured for claims related to workers' compensation. The District maintains an excess insurance policy for large claims.

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 claim which includes 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, as settlements are made, or reserves adjusted, differences are reflected in current operations.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 9 – INTERNAL SERVICE FUNDS (continued)

At June 30, 2010, 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 financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and amount of the loss can be reasonably estimated. The amount of liability is estimated at \$51,568,472. The Internal Service Fund currently has a combined positive fund balance of \$18,708,050. This is primarily due to other post-employment benefits and workers compensation balances. Changes in the reported liability are shown below:

	Beginning Liability July 1, 2009	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability June 30, 2010
Workers Compensation	\$ 44,686,943	\$ 5,330,592	\$ 12,058,380	\$ 37,959,155
Deductible Insurance	1,210,818	(936,979)	(463,134)	736,973
Health, Vision, and Dental	11,665,884	52,329,671	51,123,211	12,872,344
Total Liability	<u>\$ 57,563,645</u>	<u>\$ 56,723,284</u>	<u>\$ 62,718,457</u>	<u>\$ 51,568,472</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 10 - 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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

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 financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 10,973,760	100%
2008-09	\$ 11,128,472	100%
2007-08	\$ 11,294,450	100%

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 10 - EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 31,546,879	100%
2008-09	\$ 32,088,254	100%
2007-08	\$ 33,405,183	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$16,316,428 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 11 – ALTERNATE PENSION PLANS:

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

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	486
Terminated plan members entitled to but not yet receiving benefits	27,174
Active plan members	1,495
Number of participating employers	1
Contributions by Employee for the year	\$ 948,153
Contributions by Employer for the year	\$ 111,116

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 11 – 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 CalPERS (California Public Employees Retirement System). As of July 1, 2004, the plan is no longer accepting new members. The District was successful in negotiations with CalPERS to have participating employees reinstated into CalPERS. 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	27
Terminated plan members entitled to but not yet receiving benefits	105
Active plan members	0
Number of participating employers	1
Contributions by Employee for the year	\$0
Contributions by Employer for the year	\$116,688

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	\$ 436,278	\$ -	\$ -
Accounts receivable	-	-	-
Investments, at fair value:			
U.S. Government obligations	-	21,367,547	4,767,299
Total Assets	<u>436,278</u>	<u>21,367,547</u>	<u>4,767,299</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 11 – ALTERNATE PENSION PLANS (continued)

	<u>LBSBMA</u>	<u>ARS</u>	<u>PARS</u>
Additions:			
Contributions			
Employer	\$ 116,688	\$ -	\$ 111,116
Plan Members	-	-	948,153
Total Contributions	<u>116,688</u>	<u>-</u>	<u>1,059,269</u>
Investment Earnings			
Net Increase in fair value of Investments	539,251	-	-
Interest and Dividends	1	(17,348)	1,431
Net Investment Earnings	<u>539,252</u>	<u>(17,348)</u>	<u>1,431</u>
Total Additions	<u>655,940</u>	<u>(17,348)</u>	<u>1,060,700</u>
Deductions:			
Benefits	291,076	621,170	165,528
PERS Reinstatement	3,584,499	-	-
Administrative Expenses	14,300	116,522	23,207
Total Deductions	<u>3,889,875</u>	<u>737,692</u>	<u>188,735</u>
Change in Net Assets	<u>(3,233,935)</u>	<u>(755,040)</u>	<u>871,965</u>
Net Assets Beginning of the Year	<u>3,670,213</u>	<u>22,122,587</u>	<u>3,895,334</u>
Net Assets End of Year	<u>\$ 436,278</u>	<u>\$ 21,367,547</u>	<u>\$ 4,767,299</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12– OTHER POSTEMPLOYMENT BENEFITS

Long Beach Unified School District administers a single-employer defined benefit health care plan. At June 30, 2010 (the most recent actuarial valuation date), there were 1,193 retirees receiving medical (health) benefits under the District health plan. 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 \$9,598,339 for the health benefits of 705 retirees that qualified for this coverage during 2009-10. The other 488 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2010, The District collected \$3,267,580 from retirees to cover the cost of the “self-paid” health benefits.

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees. The health care plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100% of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2010, the District contributed \$9,598,339 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12- OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	<u>Amount</u>
Annual required contribution (ARC)	\$ 20,357,000
Interest on net OPEB obligation	238,286
Adjustment to ARC	<u>(204,000)</u>
Annual OPEB cost	20,391,286
Contributions from governmental funds	<u>9,598,339</u>
Increase in net OPEB obligation	10,792,947
Net OPEB obligation - July 1, 2009	<u>4,765,724</u>
Net OPEB obligation - June 30, 2010	<u><u>\$ 15,558,671</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years ended 2008, 2009 and 2010 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	11,595,504	71%	\$ 3,401,833
2009	10,222,000	86%	4,765,724
2010	20,391,286	47%	15,558,671

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12– OTHER POSTEMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress

As of June 30, 2010, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$228,345,000. The covered payroll (annual payroll of active employees covered by the plan) was \$480,628,106, and the ratio of the UAAL to the covered payroll was 48%. Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for the retiree health care costs. At June 30, 2010, the OPEB portion of the self-insurance fund's designated balance was \$5,256,307.

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

Actuarial Methods and Assumptions

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

In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 6.5 percent after 5 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis over thirty years.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 13 – JOINT POWERS AUTHORITY (JPA)

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 JPA's is such that none of the JPA's 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.

SELF arranges for and provides a self-funded or additional insurance for excess liability funding for approximately 1,250 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 operation 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 2009-10 the District received local revenue in the amount of \$231,230 from the Authority.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is a defendant in various pending liability lawsuits. The outcome of any litigation is unknown at the present time. Any estimated possible judgment(s) against the District are either immaterial or unknown and are not reflected in these financial statements.

B. State and Federal Allowances, Awards, and Grants

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

C. 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. The General Fund has made the appropriate transfer in the 2009-10 fiscal year and the amount remaining to be transferred is \$984,106. This is not reflected in the government wide statements since it is within the funds of the District.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

C. Contingent Liabilities (continued)

Redevelopment Agency Fees

In November of 2009, the District filed a Summary Review request with the Education Audit Appeals Panel in relation to the redevelopment revenue invoice received from the CDE on October 8, 2009 in the amount of \$3,946,873. The invoice represents 43.3% of the state's share of collections made to the District as reported by the redevelopment agencies. The District is awaiting a ruling from the Appeals Panel in regards to the discrepant reports and actual amount due for the four year time period. In addition to the Audit Appeals Panel filing there is a lawsuit filed in LA County Superior Court in which the methodology on the actual calculation of redevelopment revenues is being questioned. Until the Appeals Panel takes action on the Summary Review filed by the District and the court takes action regarding the calculation methodology there is not an accurate amount available. The District placed the collections in Fund 40, Special Reserve Fund for Capital Projects, awaiting complete information and a ruling from the Audit Appeals Panel.

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. Construction Commitments

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$14,144,329. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocation, Capital Facilities Funds and General Funds.

LONG BEACH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 15 – SUBSEQUENT EVENTS

A. Education Jobs Fund

Subsequent to June 30, 2010, the District received notification of a District allocation of \$15,991,360 for the Education Jobs program funding, a component of the Education Jobs and Medicaid Assistance Act of 2010. During September 2010 the District received \$14,392,224 for the first scheduled apportionment. These funds are available for use through September 2012. The funds must be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or hire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services.

Required Supplementary Information

LONG BEACH UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Pos (Neg)
REVENUES				
Revenue limit sources	\$ 436,128,112	\$ 413,707,704	\$ 413,767,747	\$ 60,043
Federal	131,163,223	151,718,153	111,489,599	(40,228,554)
Other state	165,754,534	161,395,130	172,298,773	10,903,643
Other local	9,156,850	18,835,381	15,373,656	(3,461,725)
Total revenues	742,202,719	745,656,368	712,929,775	(32,726,593)
EXPENDITURES				
Certificated salaries				
Teachers Salaries	312,631,757	314,703,243	305,619,984	9,083,259
Pupil Support	28,621,170	33,974,884	29,873,521	4,101,363
Supervisors' & Administrators' Salaries	22,254,949	21,460,373	24,304,410	(2,844,037)
Other Certificated Salaries	11,878,884	16,168,558	12,877,410	3,291,148
Classified salaries				
Instructional Aides' Salaries	22,195,790	22,698,203	21,911,710	786,493
Support Salaries	40,969,698	39,848,408	38,455,181	1,393,227
Supervisors' & Administrators' Salaries	22,894,010	23,655,199	23,268,692	386,507
Clerical, Technical & Office Staff Salaries	19,858,232	20,677,678	20,095,891	581,787
Other Classified Salaries	4,467,347	5,039,295	4,360,843	678,452
Employee benefits				
STRS	31,782,151	32,488,276	30,480,335	2,007,941
PERS	9,366,529	10,183,926	9,297,133	886,793
PERS Reduction	2,460,169	2,195,377	2,196,306	(929)
OASDHI/Medicare *	13,606,926	13,234,081	12,540,535	693,546
Health & Welfare Benefits	85,361,902	87,183,949	82,041,868	5,142,081
Unemployment Insurance	1,493,727	1,588,448	1,482,749	105,699
Workers' Compensation	14,904,871	15,435,455	14,461,403	974,052
Retiree Benefits	7,438,692	7,707,395	7,195,252	512,143
Other Employee Benefits	-	4,132	4,132	-
Books and supplies				
Textbooks	79,310	1,871,835	1,629,474	242,361
Books other than Textbooks	606,109	1,409,716	848,030	561,686
Materials & Supplies	23,693,117	56,361,906	9,861,839	46,500,067
Noncapitalized Equipment	1,462,537	4,352,221	2,446,106	1,906,115
Food Service Supplies	2,000	6,022	4,129	1,893

LONG BEACH UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund (continued)
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Pos (Neg)
Services and other operating expenditures				
Sub-Agreements for Services	9,021,140	15,553,411	14,116,754	1,436,657
Travel & Conferences	1,063,904	1,707,413	1,134,445	572,968
Insurance	17,550	17,550	27,980	(10,430)
Dues & Memberships	95,998	100,919	114,672	(13,753)
Operation & Housekeeping Services	10,073,126	10,058,161	8,806,648	1,251,513
Rentals, Leases and Repairs	4,912,703	5,404,405	4,601,031	803,374
Direct Costs - Interfund	(1,006,660)	(1,472,588)	(1,318,176)	(154,412)
Other Services & Operating Expenses	38,616,901	47,089,613	36,288,624	10,800,989
Communications	2,942,001	3,090,421	2,788,455	301,966
Capital outlay				
Sites & Improvements of Sites	357,000	670,590	213,854	456,736
Buildings & Improvements of Buildings	206,000	138,885	35,686	103,199
Equipment	286,000	384,748	279,364	105,384
Equipment Replacement	790,000	764,091	433,147	330,944
Transfers of indirect costs				
Transfers of Indirect Costs - Interfund	(1,600,860)	(1,560,944)	(1,509,944)	(51,000)
Other outgo				
Tuition	87,494	-	6,976	(6,976)
Interagency Transfers Out	150,000	117,450	117,450	-
Total expenditures	<u>744,042,174</u>	<u>814,312,705</u>	<u>721,393,899</u>	<u>92,918,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,839,455)</u>	<u>(68,656,337)</u>	<u>(8,464,124)</u>	<u>60,192,213</u>
OTHER FINANCING SOURCES AND USES				
Transfer In	16,891,176	16,891,176	16,891,176	-
Contributions	-	9,500,000	9,500,000	-
Transfer out	<u>(4,227,798)</u>	<u>(4,346,309)</u>	<u>(8,800,785)</u>	<u>(4,454,476)</u>
Total other financing sources and uses	<u>12,663,378</u>	<u>22,044,867</u>	<u>17,590,391</u>	<u>(4,454,476)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	10,823,923	(46,611,470)	9,126,267	55,737,737
Fund balances, July 1, 2009	<u>90,845,109</u>	<u>90,845,109</u>	<u>90,845,109</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 101,669,032</u>	<u>\$ 44,233,639</u>	<u>\$ 99,971,376</u>	<u>\$ 55,737,737</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 96,257,045	\$ 96,257,045	0%	\$ 505,693,908	19%
7/1/2009	\$ -	\$ 228,345,000	\$ 228,345,000	0%	\$ 480,625,106	48%

Supplementary Information Section

LONG BEACH UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2010

The Long Beach Unified School District was established in 1945 and is comprised of an area of Long Beach, Lakewood, Signal Hill, and Avalon on Catalina Island located in Los Angeles County. The District now educates 86,000 and maintains 93 educational facilities with 8,000 employees. The District's educational facilities include 47 elementary schools, 27 middle and K-8 schools, 8 high schools, 5 charter schools, and 1 adult continuation school.

<u>GOVERNING BOARD</u>		
<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mary Stanton	President	2010
Dr. Felton Williams	Vice President	2012
Jon Meyer	Member	2012
Dr. David Barton	Member	2010
John McGinnis	Member	2010
Trevor Kellogg	Student Member	2010

DISTRICT ADMINISTRATORS

Christopher J. Steinhauser
Superintendent

Christine Dominguez
Deputy Superintendent

Kim Stallings
Chief Business and Financial Officer

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2010

	Second Period Report	Second Period Report After Audit Finding Adjustments *	Annual Report	Annual Report After Audit Finding Adjustments *
Elementary:				
Kindergarten	5,682	5,678	5,683	5,681
Grades 1 through 3, regular classes	17,213	17,208	17,201	17,201
Grades 4 through 6, regular classes	17,592	17,583	17,563	17,563
Grades 7 and 8, regular classes	12,180	12,165	12,147	12,147
Opportunity schools	32	32	35	35
Home and hospital	26	26	29	29
Special education	1,741	1,743	1,758	1,758
Total Elementary	54,466	54,435	54,416	54,414
Secondary:				
Grades 9 through 12, regular classes	25,021	24,908	24,876	24,875
Continuation education	299	299	280	280
Opportunity schools	61	59	63	63
Home and hospital	26	26	26	26
Special education	1,378	1,374	1,364	1,366
Community day school	2	2	3	3
Total Secondary	26,787	26,668	26,612	26,613
Total Average Daily Attendance	81,253	81,103	81,028	81,027

* Adjustments contain both audit finding adjustments, and District adjustments. The District filed revised reports to include ADA removed as determined by the audit.

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal June 30, 2010

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes	1986-87 Minutes Requirement	1986-87 Reduced Minutes	2009-10 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,747	30,865	36,000	35,000	36,000	180	Complied
Grade 1	49,930	48,543	50,400	49,000	50,562	180	Complied
Grade 2	49,930	48,543	50,400	49,000	50,562	180	Complied
Grade 3	49,930	48,543	50,400	49,000	50,440	180	Complied
Grade 4	52,110	50,663	54,000	52,500	54,040	180	Complied
Grade 5	52,110	50,663	54,000	52,500	54,040	180	Complied
Grade 6	52,110	50,663	54,000	52,500	56,760	180	Complied
Grade 7	52,110	50,663	54,000	52,500	56,760	180	Complied
Grade 8	52,110	50,663	54,000	52,500	56,760	180	Complied
Grade 9	64,800	63,000	64,800	63,000	64,875	180	Complied
Grade 10	64,800	63,000	64,800	63,000	64,875	180	Complied
Grade 11	64,800	63,000	64,800	63,000	64,875	180	Complied
Grade 12	64,800	63,000	64,800	63,000	64,875	180	Complied

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2010

General Fund	(Budget) 2011**	2010	2009	2008
Revenues and other financing sources	\$ 645,459,381	\$ 739,320,951	\$ 770,617,811	\$ 787,029,962
Expenditures	658,593,277	721,393,899	750,566,411	797,802,874
Other uses and transfers out	12,395,884	8,800,785	8,393,548	10,046,607
Total outgo	670,989,161	730,194,684	758,959,959	807,849,481
Change in fund balance (deficit)	(25,529,780)	9,126,267	11,657,852	(20,819,519)
Ending fund balance	\$ 74,441,596	\$ 99,971,376	\$ 90,845,109	\$ 79,187,257
Available reserves*	\$ 13,419,783	\$ 14,603,894	\$ 15,179,151	\$ 16,152,306
Available reserves as a percentage of total outgo	2%	2%	2%	2%
Total long-term debt	\$ 532,162,614	\$ 569,020,353	\$ 560,525,467	\$ 306,702,025
Average daily attendance at P-2	81,353	81,103	82,510	83,112

The General Fund balance has increased by \$20,784,119 over the past two years. The fiscal year 2010-11 adopted budget projects a decrease of \$25,529,780. Long-term debt has increased \$262,318,328 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

** Revised Final Budget, September 2010.

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Categorical Aid Programs:			
U.S. Department of Education:			
Direct Programs			
Indian Education	84.060	10011	\$ 16,038
Military SCI - JROTC	(I)	(I)	1,147,280
GEAR UP	84.334A	(I)	4,041,784
Smaller Learning Communities	84.215L	(I)	1,335,381
Teaching American History Grant	84.215X	(I)	4,997
Magnet School Assistance	84.165	(I)	2,337,140
A Red, White, and Blueprint for History	84.215X	(I)	365,582
Subtotal Direct Programs			9,248,202
Pass-Through Program From			
California Department of Education			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	35,324,264
Title I, Part A, Basic Grants Low- ARRA	84.389	15005	14,084,529
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14955	378,382
Title I, Part B, Reading First	84.357A	14328	724,495
Title I, Part B, Even Start Family Literacy Program	84.213	14331	105,750
Migrant Education	84.011	14838	317,083
ARRA Title I, School Improvement Grant	84.388	15020	252,774
ARRA - State Fiscal Stabilization Fund	84.394	25008	17,563,714
ARRA - Vocational Rehabilitation Grants	84.390A		
Special Education Cluster			
Special Education - IDEA Basic Local Assistance Entitlement	84.027	13379	20,028,477
Special Education - IDEA Local Assistance, Part B, Sec 611 Private Sch	84.027	10115	55,903
Special Education - Federal Preschool Grants	84.173	13430	4,452,874
Special Education - ARRA IDEA Part B, Sec 611 Private School ISPs	84.391	15003	10,119,367
Special Education - ARRA IDEA Part B - Preschool Local Entitlement	84.391	15002	774,074
Special Education - ARRA IDEA Part B, Preschool Grants	84.392	15000	63,502
Special Education - Preschool Local Entitlement	84.027A	13682	3,166,174
Special Education Alternative Dispute Resolution	84.027A	13007	15,000
Preschool Staff Development	84.173A	13431	3,223
Special Education - Early Intervention	84.181	23761	473,196
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	13924	932,540
Safe & Drug Free Schools	84.168	14347	807,996
Adult Education: Adult Secondary Education	84.002A	13978	48,190
Adult Education: English Literacy & Civics Education	84.002A	14109	135,835
Title II, Part A, Improving Teacher Quality	84.367	14341	5,870,617
Title II, Part D, Enhancing Education Through Technology, Formula G	84.318	14334	517,298
Title V, Part A, Innovative Ed Strategies	84.298A	14354	604,491
21st Century Community Learning Centers Technical Assistance	84.287	14350	34,977
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	3,433,935
Title III, Immigrant Education Program	84.365	14346	104,614
Title III, Limited English Proficient Children	84.365	10084	2,446,700
Title X - ARRA McKinney-Vento Homeless Assistance	84.387	15007	1,472
Title X, McKinney-Vento Homeless Assistance	84.196	14332	68,511
Advanced Placement Test Fee Reimbursement Program	84.330	14831	192,076
Subtotal California Department of Education			123,339,136

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, Continued
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Pass-Through Program From California Department of Rehabilitation Special Education Workability II	84.158	10006	\$ 303,486
Total U.S. Department of Education			132,890,824
U.S. Department of Health and Human Services:			
Pass-Through Program From California Department of Education Quality Improvement	93.575	13979	2,947
Head Start	93.600	10016	18,089,875
Subtotal California Department of Education			18,092,822
Pass-Through Program From California Department of Education Medi-Cal Billings	93.778	10013	1,389,746
Medi-Cal Administrative	93.778	10600	661,049
Subtotal California Department of Health Services			2,050,795
Total: U.S. Department of Health and Human Services			20,143,617
U.S. Department of Agriculture:			
Pass-Through Program From California Department of Education Child Nutrition Cluster National School Lunch Program	10.555	13523	19,926,221
Especially Needy Breakfast	10.553	13526	5,582,590
Basic School Breakfast	10.553	13525	80,967
Federal Snack Program	10.000	(1)	680,498
ARRA-Child Nutrition Equipment Assistance Grants	10.579	15006	524,994
CCFP Cash in Lieu of Commodities	10.558	13389	31,872
Child Food Care Program	10.558	13394	642,691
Subtotal: California Department of Education			27,469,833
Total: U.S. Department of Agriculture			27,469,833
Total Federal Program Expenditures			\$ 180,643,975

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

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2010

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Emerson Charter School	Included
New City Charter	Not Included
Constellation Charter School	Not Included
Rosie the Riveter Charter School	Not Included
Colegio New City Charter School	Not Included

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2010

There were no adjustments between the annual financial and budget report and the audited financial statements for the fiscal year ended June 30, 2010.

The accompanying note is an integral part of this schedule.

LONG BEACH UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

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.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201. For 2009-10 through 2012-13, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the school district and displays information for each charter school on whether or not the charter school is included in the school district audit.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Other Independent Auditor's Reports

Board of Education
Long Beach Unified School District
Long Beach, California

**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**

Independent Auditor's Report

We have audited the basic financial statements of Long Beach Unified School District as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 26, 2010. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Long Beach Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Long Beach Unified School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of audit findings and questioned costs as finding #2010-1 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management, others within the entity, the Los Angeles County Office of Education, the California Department of Education, the California 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.

Chint White Accountancy Corporation

San Diego, California
October 26, 2010

Board of Education
Long Beach Unified School District
Long Beach, California

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

Independent Auditor's Report

Compliance

We have audited Long Beach Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Long Beach Unified School District's major federal programs for the year ended June 30, 2010. Long Beach Unified School 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 Long Beach Unified School District's management. Our responsibility is to express an opinion on Long Beach Unified School 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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Long Beach Unified School 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 Long Beach Unified School District's compliance with those requirements.

In our opinion, Long Beach Unified School District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the Board, management, others within the entity, the Los Angeles County Office of Education, the California Department of Education, the California State Controller's Office, 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.

Chint White Accountancy Corporation

San Diego, California
October 26, 2010

Board of Education
 Long Beach Unified School District
 Long Beach, California

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Long Beach Unified School District (the District), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 26, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies, 2009-10*, 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 opinions.

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 state laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Yes

Based on our audit, we found that, for the items tested, the Long Beach Unified School District complied with the state laws and regulations referred to above, except as described in the schedule of audit findings and questioned costs as items #2010-3 and #2010-4. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Long Beach Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California Department of Finance, the California 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.

Chint White Accountancy Corporation

San Diego, California
October 26, 2010

Findings and Questioned Costs Section

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster including ARRA
84.394	ARRA - State Fiscal Stabilization Fund
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173, 84.391	Special Education Cluster
93.600	Head Start
84.334	GEAR UP
84.365	Title III, LEP
10.579	ARRA - Equipment Assistance Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified no considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for state programs:	<u>Qualified</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2010-1: Associated Student Body Internal Controls (30000)

Audit Finding: We audited a sample of eight student body funds at the school sites selected for internal control testing over the following areas: cash disbursements, cash receipts, inventory, and minutes of meetings. A detailed list of the findings by school site was provided to District management. A summary of the most common internal control deficiencies we observed is listed below:

- Lack of adequate backup on cash receipts found, e.g., ticket reconciliations, pre-numbered receipts, and evidence of timely deposit was not always present.
- Expenditures did not always contain proper approval, or supporting documents such as a purchase order, invoice, or evidence of student approval

Recommendation: We recommend staff that handle student funds be reminded of the importance of sound internal controls and the need for proper documentation. Training at least annually and required use of District forms and procedures is also recommended.

District Response: Internal Audit staff performs recurrent reviews of ASB accounts and issues audit reports to site Administrators for necessary corrective actions. Internal Audit staff works continuously with school site staff to ensure that every attempt is made to utilize District receipting and disbursement processes whenever funds are collected and expended. Internal Audit staff will continue to monitor compliance with standard District procedures to the extent that resources are available.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings (continued)

Finding 2010-2: Measure K Bond Audit Findings (60000)

Finding: The District’s auditors performed a financial and performance audit of the Measure K bond program for the 2009-10 fiscal year. Following is a summary of the findings presented in the Measure K bond financial and performance audit reports that have relevance to the audit of the financial statements of the District:

- The District’s internal audit department is not currently involved in monitoring the facilities area. Internal controls could be strengthened by involving the internal audit department in monitoring aspects of the facilities program, such as contractor selection, contract change orders, contractor payments, and other pertinent aspects of the program.
- Although the District maintains a fraud hotline, not all District employees we interviewed, nor all contractors interviewed that work on the Measure K bond program, were aware of the District’s fraud hotline. Proactive efforts to publicize the fraud hotline may increase the possibility that an employee or affiliate of the District will report a potential concern through an anonymous means as provided by the District’s fraud hotline.

Recommendation: The detailed recommendations are contained in the 2009-10 Measure K financial and performance audit reports. In summary, the auditor recommended that the internal audit department become involved in monitoring the facilities program; and that the District’s fraud hotline be proactively publicized to employees and contractors working on the Measure K bond program.

District Response: The District reviews the role of Internal Audit annually and develops a formal audit plan based upon risk assessment. The plan includes areas of interest to review for internal controls, routine and random audits and other areas deemed appropriate. The Measure K bond program is and continues to be an area of consideration in the development of the annual audit plan.

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 continues to communicate the availability of the Fraud hotline by posting in public areas frequented by staff, consultants and contractors and has since increased the posting of such notices at both the Facilities Branch office as well as at the current job site under construction at the New Middle School #1. In addition, the District can notify selected contractors for projects of the need to publicize the Fraud hotline to their subcontractors.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2010

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weakness, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to Federal awards during 2009-10.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2010

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding #2010-3: Independent Study (10000)

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent or guardian, and a certificated employee prior to the commencement of independent study (Education Code Section 51747(c)(8)).

Condition: At seven school sites we found that a total of twenty agreements did not contain all required signatures on or before the commencement of independent study. A total of 123 days of attendance were deemed to be unallowable.

Cause: Clerical oversight as District procedures were not followed to obtain all required elements of the independent study agreement prior to commencement of independent study.

Effect: Overstatement of independent study attendance.

Questioned costs: No questioned costs as the District has removed all unallowable ADA discovered as a result of the audit on its P-2 report. 123 attendance days were overstated as tested (.97 ADA). Given 127 days in the 2009-10 P-2 attendance period and a 2009-10 base revenue limit per ADA of \$6,368, the fiscal impact of the ADA overstatement which was not claimed by the District is \$6,177.

Context: 34 independent study contracts tested at seven school sites.

Recommendation: The District should continue to monitor the procedures and policies over independent study through annual training, and through District internal audit.

District Response: Internal Audit staff performs periodic reviews of attendance accounting procedures and issues audit reports to site Administrators for necessary corrective actions. Internal Audit staff works continuously with school site staff to ensure that every attempt is made to properly track and report Independent Study activities. Internal Audit has communicated the results of audit and the importance of properly accounting for Independent Study student activities to the appropriate administrator who will address the issues with responsible site staff. Internal Audit staff will continue to monitor compliance with Independent Study procedures to the extent that resources are available.

LONG BEACH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2010

Section IV – State Award Findings and Questioned Costs (continued)

Finding #2010-4: After School Education and Safety Program Attendance Reporting (40000)

Criteria: The District is required to record and semi-annually report the actual pupil attendance for the After School Education and Safety (ASES) program as defined in Education Code section 8482.3-8484. Education Code section 8484(a)(1)(B) requires the semi-annual attendance reports to reconcile to the underlying records of attendance.

Condition: We found that the attendance data reported to CDE on the 1st half 2009-10 attendance summary at 7 of 8 schools tested did not agree to the underlying records of attendance. We noted a total of 47 days were overstated and 14 days were understated.

Questioned Costs: There is no potential ASES program funding loss to the District as the ASES program attendance was greater than 85% of the ASES programs estimated students served.

Context: The attendance discrepancy described herein was isolated to the 8 school sites tested.

Cause: Clerical oversight with respect to the reconciliation of underlying attendance data and reports submitted to CDE.

Effect: Noncompliance with Education Code Sections 8482.3-8484.

Recommendation: In order to augment compliance efforts, we recommend that a monthly reconciliation be performed from the sign-in/sign-out summary sheets to the Manage Grant Attendance Report submitted semi-annually to the CDE.

District Response: The District has reviewed the results of the audit with the agencies contracted to run the after-school programs. The District conducted an internal audit of the eight schools audited along with fourteen additional schools. Sign-in/sign-out sheets have been modified to better track when students are picked up early from the program and the reasons why. The agencies provided additional training with their site directors to be more vigilant when entering attendance into the Cityspan attendance tracking system. Many of the agencies have implemented a procedure that site directors submit sign-in/sign-out sheets to agency staff for review at the end of each month to verify attendance. The District performs spot-checks of attendance during regular site visits (approximately six per week).

LONG BEACH UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding #2009-1: Information Systems – Disaster Recovery Plan</i>	<p>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 contracts. Although the District has backup procedures, the District does not have a written comprehensive disaster recovery plan.</p> <p>Questioned Costs: Not applicable</p>	30000	<p>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.</p>	Implemented

LONG BEACH UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding #2009-2: Redevelopment Agency Fees</i>	<p>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 clarification 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.</p> <p>During the 2008/09 fiscal year, the District hired a consultant to identify project areas within the District boundary, review contracts, determine payment entitlement, validate historical remittances and perform related work. The District also received an invoice from the California Department of Education in October 2009 for \$3,946,873. This represents the 43.3% share of the collections fees as reported by the redevelopment agencies. The District is planning to file an audit appeal in order to allow time for staff to reconcile collections by agency, project area, and fiscal year.</p>	60000	<p>The District should complete its review of the redevelopment project collections. After the review is complete the District should remit the 43.3% of redevelopment fees determined to be payable to the State. Accounting procedures should be revised to properly account for these monies in the appropriate funds and in the revenue limit calculation.</p>	In Progress