

LONG BEACH UNIFIED SCHOOL DISTRICT

LOS ANGELES COUNTY

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

June 30, 2012

LONG BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2012

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LONG BEACH UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds, and the aggregate remaining fund information of the Long Beach Unified School District as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of the Long Beach Unified School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 November 9 2012 on our consideration of the Long Beach Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Long Beach Unified School District

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information and schedule of postemployment healthcare benefits funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach Unified School District financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Long Beach Unified School District. The supplementary section, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

November 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

This section of Long Beach Unified School District's (LBUSD) annual financial report presents a **discussion and analysis** of the District's financial performance during the fiscal year ended June 30, 2012. Please read this special report in conjunction with the financial statements following this section.

ABOUT LONG BEACH UNIFIED SCHOOL DISTRICT

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 a national winner of the [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.

Established in 1885 with fewer than a dozen students meeting in a borrowed tent, LBUSD now educates 83,000 students in eighty-two (82) K-12 schools, including a continuation school and five (5) charter schools in the cities of Long Beach, Signal Hill, Santa Catalina Island, the major portion of Lakewood and unincorporated Los Angeles County Territory. One of the largest school districts in California, it serves the most diverse large city in the United States, with dozens of different languages spoken by local students. The District employs more than 7,100 people, making it the second largest employer in Long Beach.

Financial Highlights

- Overall revenues and other financing sources totaled \$818.1 million or \$4.5 million more than expenditures.
- Overall the District's net assets decreased by \$5.1 million or 1.12% over the course of the year.
- The District's total long term debt obligations decreased by \$5.7 million during the current fiscal year. The decrease was a combination of an increase to the net OPEB obligation and a decrease in General Obligation bonds.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties was \$94.7 million or 13.8% of total General Fund expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Overview of the Financial Statements

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

- The Government-wide Statement of Net Assets and Statement of Activities provide both long-term and short-term information about the District's overall financial statements. These statements are provided at summary level within the Management's Discussion and Analysis for further review.
- The subsequent statements are fund financial statements that focus on individual components of the District, reporting in more detail on District-wide operations.
- Proprietary funds statements offer short and long-term financial information about the activities that operate like a private enterprise, such as the Self-Insurance Fund.
- The fiduciary fund statement provides information about Associated Student Body Funds for which the District acts solely as a trustee.

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

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

District-Wide Statements

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

The following District-wide statements report on the District's net assets and how they have changed during the 2011-12 fiscal year. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health.

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

Summary of Statement of Net Assets

	As of 6/30/2011	As of 6/30/2012	Variance
Non-Capital Assets	\$ 608,824,263	\$ 595,496,108	-2.19%
Capital Assets	<u>607,947,249</u>	<u>649,691,717</u>	6.87%
Total Assets	<u>1,216,771,512</u>	<u>1,245,187,825</u>	2.34%
Current Liabilities	160,560,977	204,394,893	27.30%
Long-term Liabilities	<u>601,894,831</u>	<u>591,587,789</u>	-1.71%
Total Liabilities	<u>762,455,808</u>	<u>795,982,682</u>	4.40%
Invested In Capital Assets, Net of Related Debt	268,744,924	270,789,698	0.76%
Net Assets Legally Restricted	83,717,584	84,921,596	1.44%
Net Assets Unrestricted	<u>101,853,196</u>	<u>93,493,849</u>	-8.21%
Total Net Assets	<u>\$ 454,315,704</u>	<u>\$ 449,205,143</u>	-1.12%

Certain reclassifications have been made to the June 30, 2011 unrestricted and legally restricted net assets to conform to the June 30, 2012 unrestricted and legally restricted net assets.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The District's combined net assets decreased 1.12% to \$449.2 million during fiscal year 2011-12. The overall decrease in total assets and liabilities is partially due to the restatement of fixed assets. This restatement was due to the fixed assets balance of books and media in libraries being overstated in previous years due to an error in the asset valuation software.

Summary of Statement of Activities

	<u>2010-11</u>	<u>2011-12</u>	<u>Variance</u>
Program Revenues:			
Charges for Services	\$ 8,502,371	\$ 8,261,106	-2.84%
Operating Grants and Contributions	243,403,215	239,942,916	-1.42%
Capital Grants and Contributions	380,021	5,459,090	1336.52%
General Revenues:			
Property Taxes	116,244,757	118,526,055	1.96%
Federal and State Aid Unrestricted	440,407,503	428,324,600	-2.74%
Interest, Investment and Miscellaneous	<u>15,035,615</u>	<u>17,575,945</u>	16.90%
Total Revenues	<u>823,973,482</u>	<u>818,089,712</u>	-0.71%
Instruction and Related Services	567,425,281	571,391,205	0.70%
Pupil Services	84,478,433	85,282,134	0.95%
General Administration	29,334,744	29,454,260	0.41%
Ancillary, Community, and			
Enterprise Activities	7,748,109	7,140,110	-7.85%
Plant Services	91,298,508	94,545,672	3.56%
Debt Service	25,484,903	24,924,680	-2.20%
Other Outgo	<u>179,922</u>	<u>825,096</u>	358.59%
Total Expenses	<u>805,949,900</u>	<u>813,563,157</u>	0.94%
Change in Net Assets	<u>18,023,582</u>	<u>4,526,555</u>	-74.89%
Net Assets, Beginning	436,292,122	454,315,704	
Restatement (see Note 15)	<u>-</u>	<u>(9,637,116)</u>	
Net Assets, Beginning, as restated	<u>436,292,122</u>	<u>444,678,588</u>	
Net Assets, Ending	<u>\$ 454,315,704</u>	<u>\$ 449,205,143</u>	-1.12%

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Total revenues decreased by \$5.9 million between fiscal years. The decrease was the result of increased Capital Grants and Contributions, offset by a decrease to Federal and State Aid Unrestricted. Capital Grants and Contributions increased this year as the District received a State Apportionment for the Avalon Remediation project.

Expenses increased in 2011-12 by \$7.6 million or less than 1%. The beginning net assets have been restated by \$9,637,116, because the fixed assets balance of books and media in libraries was overstated in previous years due to an error in the asset valuation software.

Fund Financial Statements

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

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

The District operates three types of funds:

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

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balances of \$392.4 million, compared to last year's combined ending balances of \$456.6 million. The Building Fund ending balance decreased by \$61.8 million to \$205.1 million between years as a result of the District's usage of bond funds on McBride High School, the completion of Nelson Middle School and various other approved bond projects.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. The following were the major changes between the original and final budget:

- Revenues for grants and entitlements from federal, state and local resources are budgeted as sources are identified throughout the year. These additional revenues represented a 24% increase in combined revenue categories.
- Expenditures are appropriated throughout the year that were not included in the adopted budget. These increases come primarily from the appropriation of newly identified revenues or the addition of carryover funds.

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 \$20.2 million below final budgeted amounts. Approximately \$2 million represents grant monies that have been received but not spent by June 30, 2012 and the remainder is the result of grant awards budgeted with no costs yet incurred.
- 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 for 2012-13.
- The expenditure category of Books and Supplies include amounts that are being held in reserve in the Revised Final Budget.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Summary of General Fund Budgetary Highlights

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Revised Final Budget - Positive (Negative)</u>	
	<u>Original</u>	<u>Revised Final</u>			
Revenues:					
Revenue Limit Sources	\$ 424,615,770	\$ 425,071,476	\$ 424,895,844	\$ (175,632)	0%
Federal Sources	68,892,096	111,129,047	91,719,466	(19,409,581)	-17%
Other State Sources	149,852,096	151,730,116	152,207,978	477,862	0%
Other Local Sources	<u>10,168,626</u>	<u>21,825,903</u>	<u>20,709,263</u>	<u>(1,116,640)</u>	-5%
Total Revenues	<u>653,528,588</u>	<u>709,756,542</u>	<u>689,532,551</u>	<u>(20,223,991)</u>	
Expenditures:					
Certificated Salaries	314,011,186	337,913,266	330,548,598	7,364,668	2%
Classified Salaries	99,257,898	103,513,421	102,453,946	1,059,475	1%
Employee Benefits	158,023,797	164,205,375	162,539,394	1,665,981	1%
Books & Supplies	14,847,602	44,562,645	15,590,618	28,972,027	65%
Services, Other Operating Expenses	79,079,655	90,520,102	77,130,412	13,389,690	15%
Capital Outlay	789,788	1,815,936	1,405,262	410,674	23%
Other Outgo	234,900	178,911	178,911	-	0%
Direct Support/Indirect Costs:	<u>(1,372,989)</u>	<u>(1,494,723)</u>	<u>(1,177,479)</u>	<u>(317,244)</u>	-21%
Total Expenditures	<u>664,871,837</u>	<u>741,214,933</u>	<u>688,669,662</u>	<u>52,545,271</u>	7%
Excess (Deficiency) of Revenues over Expenditures	<u>(11,343,249)</u>	<u>(31,458,391)</u>	<u>862,889</u>	<u>32,321,280</u>	-103%
Other financing sources (uses):					
Transfer in		32,995	32,995	-	0%
Transfer out	<u>(6,123,389)</u>	<u>(2,271,141)</u>	<u>(2,271,141)</u>	<u>-</u>	0%
Total Other financing sources (uses):	<u>(6,123,389)</u>	<u>(2,238,146)</u>	<u>(2,238,146)</u>	<u>-</u>	
Net change in fund balances	<u>\$ (17,466,638)</u>	<u>\$ (33,696,537)</u>	(1,375,257)	<u>\$ 32,321,280</u>	
Fund balances - July 1, 2011			<u>109,929,850</u>		
Fund balances - June 30, 2012			<u>\$ 108,554,593</u>		

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Capital Assets and Long-Term Debt (See page 40 and 41)

Capital Assets

By the end of fiscal year 2011-12, the District had invested \$1,049.6 million in a broad range of capital assets, including land, land improvements, buildings, work in progress, vehicles, machinery and equipment. This amount represents an increase of \$56.2 million after restatements, or 5.6% from last year. Much of this increase is due to the completion of Nelson Middle School which opened September 5, 2012 and the construction of McBride High School which has a scheduled opening date of September 2013.

Long-Term Debt

At year-end, the District had \$625.8 million in long-term debt. General Obligation Bonds accounted for \$573.1 million, including related premium and accreted interest. The remaining \$52.7 million represents the value of accumulated employee vacation time, the net OPEB obligation and capital leases.

Economic Factors That May Affect the Future

The state's budget situation continues to reflect challenging economic conditions. With the passage of Proposition 30 on November 6, 2012, devastating cuts may have been avoided but state funding remains flat from 2011-2012. While funding remains flat, expenses continue to grow through increases in nearly all expenditure categories. Cash flow continues to be a significant issue as the state currently defers over 36% of state revenues into the future year.

Federal categorical programs, such as Title I have seen reductions, with the potential of additional program cuts in the near future. Most state categorical program flexibility has been extended through 2014-15. The relaxed penalties for the K-3 class size reduction program have been extended through 2013-14. In addition, the authority to shorten the instructional year to 175 days has been extended through 2014-15. Relaxed reserve requirements will end in 2012-13. The District has prudently decided not to take advantage of the relaxed reserve requirements.

Contacting the District's Financial Management

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

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

FUNDS AND DEFINITIONS OF ACCOUNTING TERMS

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

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

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

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

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

FINANCIAL SECTION

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 380,903,318
Cash on hand and in banks	1,732,644
Cash in revolving fund	1,229,816
Cash collections awaiting deposit	1,720,126
Accounts receivable:	
Federal and state governments	189,755,758
Local governments	7,485,102
Miscellaneous	6,788,266
Inventories	1,965,609
Prepaid expenditures	789,223
Capitalized fees	3,126,246
Land	113,922,550
Work in progress	115,116,033
Depreciable assets, net	420,653,134
Total Assets	1,245,187,825
 <u>Liabilities</u>	
Accounts payable and other current liabilities	41,062,419
Deferred revenue	2,117,378
Estimated liability for open claims and IBNR's	42,642,467
Tax and revenue anticipation notes (TRANS) payable	75,000,000
Current portion of long-term liabilities:	
General obligation bonds	25,370,000
General obligation bonds-accrued interest	9,309,570
Capital leases	922,987
Compensated absences	7,970,072
Non-current portion of long-term liabilities:	
General obligation bonds	547,720,813
Capital leases	723,664
Compensated absences	2,799,529
Other postemployment benefits	40,343,783
Total Liabilities	795,982,682
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	270,789,698
Restricted for:	
Debt service	39,932,549
Educational programs	14,468,841
Capital projects	22,718,025
Other programs	7,802,181
Unrestricted	93,493,849
Total Net Assets	\$ 449,205,143

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 491,629,676	\$ 427,290	\$ 120,775,163	\$	\$ (370,427,223)
Instruction - related services	79,761,529	103,261	36,101,523		(43,556,745)
Pupil services	85,282,134	5,145,993	57,927,334		(22,208,807)
Ancillary services	834,106	379	199,231		(634,496)
Community services	6,277,514	315	415,374		(5,861,825)
Enterprise activities	28,490				(28,490)
General administration	29,454,260	21,747	6,621,472		(22,811,041)
Plant services	94,545,672	2,562,076	17,755,105	5,459,090	(68,769,401)
Other outgoing	825,096	45	147,714		(677,337)
Debt service - interest	24,924,680				(24,924,680)
Total School District	\$ 813,563,157	\$ 8,261,106	\$ 239,942,916	\$ 5,459,090	(559,900,045)
 General Revenues					
Property taxes levied for					
General purposes					72,521,025
Debt service					43,555,360
Other specific purposes					2,449,670
Federal and state aid not restricted to specific purposes					428,324,600
Interest and investment earnings					1,987,374
Miscellaneous					15,588,571
Total General Revenues and Special Items					564,426,600
					Change in net assets
					4,526,555
Net Assets - Beginning of Year					454,315,704
Restatement (see Note 15)					(9,637,116)
Net Assets - Beginning of Year, as restated					444,678,588
Net Assets - End of Year					\$ 449,205,143

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 22,299,758	\$ 211,954,086	\$ 69,288,667	\$ 303,542,511
Cash on hand and in banks			1,732,644	1,732,644
Cash in revolving fund	398,350		1,466	399,816
Cash collections awaiting deposit			1,720,126	1,720,126
Accounts receivable:				
Federal and state governments	182,582,310		7,173,448	189,755,758
Local governments	1,460,751		44,045	1,504,796
Miscellaneous	3,051,803	1,799,945	1,489,586	6,341,334
Due from other funds	3,498,590			3,498,590
Inventories	950,969		1,014,640	1,965,609
Prepaid expenditures	123,088	615,093	6,578	744,759
Total Assets	\$ 214,365,619	\$ 214,369,124	\$ 82,471,200	\$ 511,205,943
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 26,777,994	\$ 9,213,914	\$ 2,211,253	\$ 38,203,161
Due to other funds	82	10,195	3,488,063	3,498,340
Deferred revenue	2,006,801		110,577	2,117,378
Tax Revenue Anticipation Notes Payable	75,000,000			75,000,000
Total Liabilities	103,784,877	9,224,109	5,809,893	118,818,879
Fund Balances				
Nonspendable	1,472,407	615,093	1,022,684	3,110,184
Restricted	14,334,651	204,529,922	70,586,945	289,451,518
Committed			5,051,678	5,051,678
Assigned	80,954,869			80,954,869
Unassigned	13,818,815			13,818,815
Total Fund Balances	110,580,742	205,145,015	76,661,307	392,387,064
Total Liabilities and Fund Balances	\$ 214,365,619	\$ 214,369,124	\$ 82,471,200	\$ 511,205,943

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

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

June 30, 2012

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

Total fund balance - governmental funds		\$ 392,387,064
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,049,655,952 and the accumulated depreciation is \$399,964,235. The net value of capital assets is -		649,691,717
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the funds.		5,980,306
The accrued interest for general obligation bonds is -		(9,309,570)
An Internal service fund is used by the district to manage its Self-Insurance Fund. The assets and liabilities of the Self-Insurance Fund are included under governmental activities in the statement of net assets.		33,180,228
General Obligation bond costs to be amortized over the life of the bond		3,126,246
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Principal Payable	(536,652,292)	
Unmatured Premium General Obligation Bonds	(37,527,527)	
Unamortized deferred liability from refunding general obligation bonds	4,522,001	
Accreted Interest on Capital Appreciation Bonds	(3,432,995)	
Capital leases	(1,646,651)	
Compensated Absences Payable	(10,769,601)	
Net Other Postemployment Benefits Obligation	(40,343,783)	
	(625,850,848)	(625,850,848)
Total net assets - governmental activities		\$ 449,205,143

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2012

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Revenue limit sources:				
State apportionments	\$ 349,619,095	\$	\$	\$ 349,619,095
Charter schools general purpose entitlement	2,633,259			2,633,259
Local sources	72,643,490			72,643,490
Total revenue limit sources	424,895,844	-	-	424,895,844
Federal sources	91,719,466		52,302,224	144,021,690
Other state sources	152,207,978		14,377,630	166,585,608
Other local sources	20,715,219	5,137,540	54,730,534	80,583,293
Total Revenues	689,538,507	5,137,540	121,410,388	816,086,435
Expenditures				
Instruction	450,439,105		19,685,219	470,124,324
Instruction - related services	72,996,565		4,776,239	77,772,804
Pupil services	55,340,276		33,651,713	88,991,989
Ancillary services	827,610			827,610
Community services	6,150,448			6,150,448
Enterprise activities	9,534			9,534
General administration	27,878,020		1,281,000	29,159,020
Plant services	74,735,420	78,867,471	7,209,894	160,812,785
Other outgo	292,684	1,750		294,434
Debt service			46,534,242	46,534,242
Total Expenditures	688,669,662	78,869,221	113,138,307	880,677,190
Excess (Deficiency) of revenues over expenditures	868,845	(73,731,681)	8,272,081	(64,590,755)
Other Financing Sources (Uses)				
Interfund transfers in	32,995	11,991,147	503,528	12,527,670
Proceeds from sale of general obligation bonds			92,707,374	92,707,374
Payment to refunding bond escrow agent			(92,349,692)	(92,349,692)
Interfund transfers out	(503,528)		(12,024,142)	(12,527,670)
Total Other Financing Sources (Uses)	(470,533)	11,991,147	(11,162,932)	357,682
Net changes in fund balances	398,312	(61,740,534)	(2,890,851)	(64,233,073)
Fund Balances - Beginning of Year	110,182,430	266,885,549	79,552,158	456,620,137
Fund Balances - End of Year	\$ 110,580,742	\$ 205,145,015	\$ 76,661,307	\$ 392,387,064

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Net change in fund balances-total governmental funds \$ (64,233,073)

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

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

Capital asset additions	\$68,626,316	
Depreciation expense	<u>(17,241,443)</u>	51,384,873

Governmental funds report the proceeds from the disposal of capital assets as revenue. In the statement of activities, only the resulting gain or loss is reported.

Net loss on equipment (3,289)

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

General obligation bond proceeds and premium, including refunding bond	(92,707,374)	
Repayment of bond principal, including refunded bonds	20,590,000	
Payment to refunding bond escrow agent	92,349,692	
Net increase in accreted interest	(1,232,510)	
Bond premium, current year amortization	1,541,479	
Issue costs, current year amortization	(172,960)	
Repayment of capital lease	1,021,978	
Deferred liability, current year amortization	(155,128)	
Decrease in accrued interest expense	<u>632,704</u>	
Change in long-term bond liability		21,867,881

In the statement of activities, certain operating expenses - compensated absences (vacations), - are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$614,614. (614,614)

Property taxes are recorded on a cash basis as they are not considered as "available" revenues in the governmental funds. The net change in the receivable related to property taxes levied for the repayment of debt is: 2,003,260

Internal service funds are used by the District to manage the Self-Insurance Fund. The net income of \$9,219,452 is reported with governmental activities. 9,219,452

Increase in postemployment benefits other than pensions (OPEB) (15,097,935)

Change in net assets of governmental activities \$ 4,526,555

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

	Governmental Activities
	Self Insurance Funds
<u>Assets</u>	
Cash in county treasury	\$ 77,360,807
Cash in revolving fund	830,000
Accounts receivable:	
Miscellaneous	446,932
Prepaid expenditures	44,464
Total Assets	78,682,203
<u>Liabilities</u>	
Accounts payable	2,859,258
Due to other funds	250
Estimated liability for open claims and IBNRs	42,642,467
Total Liabilities	45,501,975
<u>Net Assets</u>	
Unrestricted	33,180,228
Total Net Assets	\$ 33,180,228

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2012**

	Governmental Activities
	Self Insurance Funds
Operating Revenues	
All other local revenue	\$ 69,297
Self-insurance premiums	80,511,226
Total Operating Revenues	80,580,523
 Operating Expenditures	
Salaries	432,685
Benefits	192,644
Other supplies	43,942
Payments for health and welfare claims	71,213,977
Total Operating Expenditures	71,883,248
Operating Income	8,697,275
 Non-Operating Revenues	
Interest income	522,177
Total Non-Operating Revenues	522,177
Change in net assets	9,219,452
 Net Assets - Beginning of Year	23,960,776
Net Assets - End of Year	\$ 33,180,228

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2012

	Governmental Activities
	Self Insurance Fund
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 91,470,651
Cash paid for claims and operating expenses	<u>(75,865,699)</u>
Net cash provided by operating activities	15,604,952
Cash Flows from Investing Activities	
Interest income	<u>566,025</u>
Net cash provided by investing activities	<u>566,025</u>
Net increase in cash and cash equivalents	16,170,977
Cash and cash equivalents - July 1, 2011	<u>62,019,830</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 78,190,807</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 8,697,275</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(45,064)
Due from other funds	10,935,191
Accounts payable	(767,334)
Due to other funds	(275,786)
Estimated claims	<u>(2,939,330)</u>
Total adjustments	<u>6,907,677</u>
Net Cash Provided by Operating Activities	<u>\$ 15,604,952</u>
Cash balances at June 30, 2012 consisted of the following:	
Cash in county treasury	\$ 77,360,807
Cash in revolving fund	<u>830,000</u>
Total cash balances at June 30, 2012	<u>\$ 78,190,807</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS

June 30, 2012

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 4,949,828
Accounts receivable:	
Miscellaneous	9,600
Stores inventory	<u>29,499</u>
Total Assets	<u>4,988,927</u>
<u>Liabilities</u>	
Accounts payable	189,850
Funds held in trust	<u>3,039,695</u>
Total Liabilities	<u>3,229,545</u>
<u>Net Assets</u>	
Unrestricted	<u>1,759,382</u>
Total Net Assets	<u>\$ 1,759,382</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FUND NET ASSETS - FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>Associated Student Body Funds</u>
Additions	
Revenue from local sources	\$ 3,964,302
Total Additions	<u>3,964,302</u>
Deductions	
Other expenses	<u>4,027,720</u>
Total Deductions	<u>4,027,720</u>
Changes in net assets	(63,418)
Net Assets - Beginning of Year	<u>1,822,800</u>
Net Assets - End of Year	<u>\$ 1,759,382</u>

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. BASIS OF PRESENTATION:

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

1. Government-wide Financial Statements:

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements:

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

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

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

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

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

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

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

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

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

Other outgo – includes transfers to other agencies.

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

B. FUND ACCOUNTING:

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS - MAJOR

General Fund – is used to account for all financial transactions except those legally required to be accounted for in another fund. It is the general operating fund of the District. The District has elected to record Emerson Charter School activity in the General Fund as the funding comes through the General Fund. The Special Reserve Fund (Other Than Capital Outlay) has been consolidated with the General Fund due to the implementation of GASB Statement No. 54.

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

GOVERNMENTAL FUNDS – NON-MAJOR

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

1. Debt Service Fund - used to account for the payment of principal and interest on long-term debt. The District maintains the Debt Service Fund to account for bond interest and redemption of general obligation bond principal.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

1. Adult Education Fund - used to account for resources committed to adult education programs maintained by the District. Due to the flexibility provisions enacted by education trailer bill SBX3 4, this fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. However, because the flexibility is temporary, the restricted revenue source is expected to continue and the District has taken formal action to commit the flexed revenues to these programs for the continued operation of the original program, the fund meets the requirements to be reported as a Special Revenue fund.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

2. Child Development Fund - used to account for resources committed to child development programs.
3. Cafeteria Fund - used to account for revenues received and expenditures made to operate the District's food and nutrition service program.
4. Deferred Maintenance Fund - used for the purpose of major repair or replacement of District property. Due to the flexibility provisions enacted by education trailer bill SBX3 4, this fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. However, because the flexibility is temporary, the restricted revenue source is expected to continue and the District has taken formal action to commit the flexed revenues to these programs for the continued operation of the original program, the fund meets the requirements to be reported as a Special Revenue fund.

Capital Projects Funds - used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

1. Capital Facilities Fund - used to account for resources received from residential and commercial developer impact fees.
2. State School Building Lease-Purchase Fund - used for modernization and construction projects funded by State apportionments. The Board of Education authorized to close the fund on May 15, 2012. Any remaining fund balance was transferred to the General Fund.
3. County School Facilities Fund – used to account for the School Facility Program grant awards for modernization and new construction of various school sites.
4. Special Reserve Fund – used to account for specific board-approved capital expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

B. FUND ACCOUNTING: (continued)

PROPRIETARY FUNDS

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

1. Deductible Insurance Fund – used to account for resources committed to the District's self-insurance program for property loss or damage.
2. Health, Vision and Dental Insurance and Workers' Compensation Fund – used to account for resources committed to the District's health, vision, dental and workers' compensation insurance programs. Additionally, this fund is used to account for retiree health care costs and reserves for future payments related to other postemployment benefits.

FIDUCIARY FUNDS

Student Body Funds – used to account for the raising and spending of money to promote the general welfare, morale and educational experiences of the student body. The District operates 36 separate student body funds.

AGENCY ACTIVITIES

The District operates a warrant pass-through fund as a holding account for amounts withheld from employees for federal taxes, state taxes and other contributions. The District had a liability in the County Treasury amounting to \$808,056 on June 30, 2012, which represents withholdings payable.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

In accordance with GASB Statement No. 20, the District's proprietary funds follow all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The District also applies all Financial Accounting Standards Board (FASB) statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

1. Cash and Cash Equivalents

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

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year. The District has recognized receivables in accordance with this standard, the most notable being for the final P-2 apportionment.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2012, the inventory for supplies is \$950,969 and the inventory for food is \$1,014,640.

4. Prepaid Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2012, 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.

5. Capitalized Fees

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense in the government-wide statements over the life of the liability. These costs are amortized using the straight-line method.

6. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement 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.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

6. Capital Assets (continued)

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

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

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

7. 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.

8. Compensated Absences

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

8. Compensated Absences (continued)

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

9. Long-Term Obligations

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

10. Fund Balance Classification

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

10. Fund Balance Classification (continued)

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to the Chief Business and Financial Officer or designee to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

11. Spending Order Policy

The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

12. Minimum Fund Balance Policy:

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 2% of budgeted General Fund expenditures and other financing uses.

13. 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, laws or regulations of other governments or by enabling legislation adopted by the District.

14. State Apportionments

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

15. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes for debt service purposes have been accrued in the Government-wide financial statements.

The California Statewide Tax Authority (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 2011-12 the District received local revenue in the amount of \$99,585 from the Authority.

16. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement Systems on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$6,800,000 for STRS.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

C. BASIS OF ACCOUNTING: (continued)

17. Contributed Services

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

18. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*.

19. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

D. REPORTING ENTITY:

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

D. REPORTING ENTITY: (continued)

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

1. Long Beach Education Foundation – The Foundation is a separate not-for-profit corporation 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.
2. California State University Dominguez Hills Foundation – The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors is elected independent of any District Governing Board appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. The Foundation supports some functions of the California Academy of Mathematics and Science (CAMS) – a high school under the jurisdiction of the District.
3. Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.
4. Charter Schools – Constellation, New City, Rosie the Riveter and Colegio New City Charter Schools– These charter schools receive their funding directly from other government agencies and have a separate governing board. The condensed unaudited financial information for June 30, 2012 for these schools is presented on the following page.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

D. REPORTING ENTITY: (continued)

	<u>Constellation</u>	<u>New City</u>	<u>Rosie the Riveter</u>	<u>Colegio New City</u>
Total Assets	\$ 86,893	\$ 1,559,942	\$ 155,793	\$ 201,449
Total Liabilities	<u>156,396</u>	<u>427,796</u>	<u>126,690</u>	<u>217,100</u>
Fund Balance	<u>\$ (69,503)</u>	<u>\$ 1,132,146</u>	<u>\$ 29,103</u>	<u>\$ (15,651)</u>
Total Revenues	\$ 834,564	\$ 4,035,105	\$ 736,352	\$ 759,466
Total Expenditures	<u>1,131,721</u>	<u>4,051,850</u>	<u>589,589</u>	<u>890,854</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ (297,157)</u>	<u>\$ (16,745)</u>	<u>\$ 146,763</u>	<u>\$ (131,388)</u>

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

NOTE 2 - BUDGETS:

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

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

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 3 - DEPOSITS:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2012, \$11,582,915 of the District's bank balance of \$13,162,583 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$10,267,914
Uninsured and uncollateralized	<u>1,315,001</u>
Total	<u>\$11,582,915</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair market value of the District's deposits as noted above in this pool as of June 30, 2012, as provided by the pool sponsor, was \$381,372,408.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4 - INTERFUND TRANSACTIONS:

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

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at a June 30, 2012 are temporary loans and are detailed as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 3,498,590	\$ 82
Building Fund		10,195
Non-Major Funds:		
Special Revenue Funds:		
Adult Education Fund		1,006,229
Child Development Fund		42,649
Cafeteria Fund		2,439,185
Proprietary Fund:		
Self-Insurance Fund		250
	<u>\$ 3,498,590</u>	<u>\$ 3,498,590</u>

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers

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

Interfund transfers for the 2011-12 fiscal year are as follows:

Transfer from State School Building Lease-Purchase Fund to the General Fund for fund closure.	\$ 32,995
Transfer from the General Fund to the Adult Education Fund for revenue to maintain Adult Education program	306,707
Transfer from the County School Facilities Fund to the Building Fund for repayment of Measure A funds	11,991,147
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement	<u>196,821</u>
Total	<u><u>\$ 12,527,670</u></u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 5 - FUND BALANCES:

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	\$ 398,350	\$	\$ 1,466	\$ 399,816
Inventory	950,969		1,014,640	1,965,609
Prepaid expense	123,088	615,093	6,578	744,759
Total Nonspendable	<u>1,472,407</u>	<u>615,093</u>	<u>1,022,684</u>	<u>3,110,184</u>
Restricted				
Legally restricted programs	14,334,651		134,190	14,468,841
Debt service			39,932,549	39,932,549
Child development program			908,944	908,944
Nutrition services			6,893,237	6,893,237
Capital projects		204,529,922	22,718,025	227,247,947
Total Restricted	<u>14,334,651</u>	<u>204,529,922</u>	<u>70,586,945</u>	<u>289,451,518</u>
Committed				
Deferred maintenance program			5,051,678	5,051,678
Total Committed	<u>-</u>	<u>-</u>	<u>5,051,678</u>	<u>5,051,678</u>
Assigned				
Contingency for multi-year structural budget deficit	74,614,909			74,614,909
Site carryover	4,305,278			4,305,278
One-time technology upgrades	2,026,149			2,026,149
Lottery	8,533			8,533
Total Assigned	<u>80,954,869</u>	<u>-</u>	<u>-</u>	<u>80,954,869</u>
Unassigned				
Economic uncertainties	13,818,815			13,818,815
Total Unassigned	<u>13,818,815</u>	<u>-</u>	<u>-</u>	<u>13,818,815</u>
Total fund balances	<u>\$ 110,580,742</u>	<u>\$ 205,145,015</u>	<u>\$ 76,661,307</u>	<u>\$ 392,387,064</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 - LEASES:

A. Capital Leases

The District leases equipment valued at approximately \$2.9 million which was capitalized because the useful life criteria was met. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2013	\$ 1,029,827
2014	701,096
2015	98,527
2016	<u>2,409</u>
Total	1,831,859
Less Amount Representing Interest	<u>185,208</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 1,646,651</u></u>

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

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 - LEASES: (continued)

B. Operating Leases

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

<u>Fiscal Year</u>	<u>Lease Payments</u>
2012-13	\$ 622,635
2013-14	103,906
2014-15	91,371
2015-16	67,158
2016-17	<u>8,659</u>
Total	<u>\$ 893,729</u>

2011-12 expenditures for operating leases were approximately \$687,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7 - TAX REVENUE ANTICIPATION NOTES:

The District issued \$75,000,000 of Tax Revenue Anticipation Notes dated February 23, 2012 through the Los Angeles County Schools Pooled Financing Program (Series B). The notes will mature on November 30, 2012 and yields .25% interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements are that half of the principal and interest be repaid to the trustee in both September and October 2012.

The monies are required to remain on deposit until the maturity date of the note, November 30, 2012 at which time they will be applied to pay the principal and interest on the notes. The short term liability of \$75,000,000 is recorded as Tax and Revenue Anticipation Notes Payable as of June 30, 2012.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 - 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 1, Division 1, Part 10, Chapter 2 of the State of California Education Code, commencing with 15100. The District has offered the following general obligation 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), and Series G \$14,345,000 of current interest bonds and \$15,650,606 of capital appreciation bonds (July 17, 2008). 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 2008 General Obligation Refunding Bonds, Series A 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 costs 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 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 costs of issuance associated with the Refunding Bonds.

The proceeds associated with the Refunding Bonds Series A and Series B were deposited in an escrow fund for future repayment. At June 30, 2012, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

On February 3, 2010, the District issued 2010 General Obligation Refunding Bonds, Series C of \$51,720,000 serial and term bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series A, C through F) of the District and to pay the costs of issuance associated with the Refunding Bonds.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Measure A Series (continued)

The proceeds associated with the Refunding Bonds, Series C were deposited in an escrow fund for future repayment. At June 30, 2012, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$13,595,000. These bonds are considered in-substance defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on the Series C refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$3,102,565. Amortization of \$155,128 was recognized during the 2011-12 year.

On April 19, 2011, the District issued 2011 General Obligation Refunding Bonds, Series D of \$11,330,000 of current interest serial bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series E) of the District and to pay the cost of issuance associated with the Refunding Bonds. At June 30, 2012, there is no outstanding balance of the defeased debt to be paid by the escrow agent. These bonds are considered fully defeased and are not recorded on the financial statements.

On March 27, 2012, the District issued 2012 General Obligation Refunding Bonds, Series E of \$81,780,000 of serial bonds. The bonds were issued to refund all of the District's outstanding General Obligation Bonds, Series C through E, to advance refund a portion of Series F and pay the costs of issuance associated with the Bonds.

The difference in cash flow requirements related to the Series E refunding amounted to a savings of approximately \$17,896,798. The present value of economic gain to the District amounts to approximately \$11,690,584. These savings result in a recalculation of the bond repayment schedules and are included in the consolidated schedule noted on the subsequent page. The proceeds associated with the 2012 Refunding Bonds were deposited in an escrow fund for future repayment. At June 30, 2012, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$30,019,600. These bonds are considered in-substance defeased and are not recorded on the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Measure A Series (continued)

The difference between the reacquisition price and the net carrying amount on the refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,729,692. The amortization amount for the current year was not recognized as it was not material to the financial statements.

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 General Obligation Bonds, Election 2008, Series A 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.

On April 19, 2011, the District issued General Obligation Bonds, Election 2008, Series B and B-1 of \$3,020,686 of capital appreciation serial bonds and \$72,406,000 of Qualified School Construction Bonds. These bonds are being issued to finance the acquisition, construction, rehabilitation and equipping of classrooms and school facilities within the District, and to pay the costs of issuing these bonds.

The Series B-1 bonds are being designated as "Qualified School Construction Bonds" for purposes of the American Recovery and Reinvestment Act of 2009. With respect to the Series B-1 bonds, the District expects to receive, on or about each bond payment date, a cash subsidy payment from the United States Treasury equal to the amount of interest determined at a federal tax credit rate under Section 54A(b)(3) of the tax code. The District will deposit the cash subsidy with the County to be credited to the Bond Interest and Redemption Fund for debt service payments.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 8 - GENERAL OBLIGATION BONDS: (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), August 1, 2009 (Refunding Bond Series B and Measure K Series A), August 1, 2010 (Refunding Bond Series C), and August 1, 2011 (Measure K Series B-1 and Refunding Bond Series D). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Capital appreciation bonds issued for Measure A, Series G and Measure K, Series B have maturity dates from August 1, 2023 through August 1, 2033 and August 1, 2034 through August 1, 2035, respectively. Prior to the maturity date, the bond will accrete interest on the principal component.

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Principal Payment Current Year</u>	<u>Outstanding June 30, 2012</u>
Measure A								
Series C	8/1/2001	4.3%-7.3%	8/1/2031	\$ 60,000,000	\$ 19,805,000	\$	\$ 19,805,000	\$ -
Series D	5/1/2002	4.125%-6.0%	8/1/2031	40,000,000	17,030,000		17,030,000	-
Series E	5/1/2003	2.0%-5.0%	8/1/2032	60,000,000	26,245,000		26,245,000	-
Series F	6/1/2004	3.5%-5.375%	8/1/2033	50,000,000	31,230,000		30,095,000	1,135,000
Series G	7/17/2008	3.5%-5.44%	8/1/2033	29,995,606	29,995,606			29,995,606
Accreted Interest					2,200,485	964,594		3,165,079
Refunding Bond								
Series A	7/17/2008	2.57%-4.28%	8/1/2022	38,320,000	38,320,000		730,000	37,590,000
Series B	4/7/2009	3.0%-5.25%	8/1/2029	28,465,000	27,240,000		1,090,000	26,150,000
Series C	2/3/2010	2.5%-5.125%	8/1/2029	51,720,000	51,720,000			51,720,000
Series D	4/19/2011	3.0%-5.25%	8/1/2024	11,330,000	11,330,000		130,000	11,200,000
Series E	3/27/2012	1.0%-5.0%	8/1/2033	81,780,000		81,780,000		81,780,000
Measure K								
Series A	4/7/2009	3.5%-5.0%	8/1/2033	260,000,000	237,740,000		16,085,000	221,655,000
Series B	4/19/2011	7.26%-7.33%	8/1/2035	3,020,686	3,020,686			3,020,686
Accreted Interest						267,916		267,916
Series B-1	4/19/2011	5.314%-5.914%	8/1/2025	<u>72,406,000</u>	<u>72,406,000</u>			<u>72,406,000</u>
				<u>\$ 787,037,292</u>	<u>\$ 568,282,777</u>	<u>\$ 83,012,510</u>	<u>\$ 111,210,000</u>	<u>\$ 540,085,287</u>
							Deferred Charge on Refunding Bond Premium	(4,522,001) 37,527,527
							Total Bonds Payable	<u>\$ 573,090,813</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Payments (continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Series A, Series B, Series C, Series D, and Series E included a premium of \$1,021,276; \$2,308,212; \$994,834; \$4,658,623; \$853,200; and \$10,927,374, respectively. The Measure K, Series A and Series B bonds included a premium of \$15,098,514 and \$5,279,810, respectively. These amounts are amortized using the straight-line method. Amortization of \$1,541,479 was recognized during the 2011-12 year.

In addition, associated issuance costs are recorded as capitalized fees on the statement of net assets and are amortized using the straight-line method to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Series A, Series B, Series C, and Series D, included issue costs of \$341,126; \$345,020; \$177,942; \$291,058 and \$80,689, respectively. The issue costs for Measure A, Refunding Bonds, Series E was written off in the current year as it was not material to the financial statements. The Measure K, Series A, Series B and Series B-1 included issue costs of \$1,856,302; \$19,662; and \$459,805, respectively. These amounts are amortized using the straight-line method. Amortization of \$172,960 was recognized during the 2011-12 year.

Payments – Measure A Series

The annual requirements to amortize Measure A bond payable, outstanding as of June 30, 2012, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2013	\$ 6,660,000	\$ 10,535,059	\$	\$ 17,195,059
2014	6,980,000	10,202,169		17,182,169
2015	7,555,000	9,943,344		17,498,344
2016	7,845,000	9,643,225		17,488,225
2017	8,565,000	9,322,506		17,887,506
2018-2022	58,340,000	39,269,275		97,609,275
2023-2027	61,496,452	31,377,145	3,808,575	96,682,172
2028-2032	70,054,726	25,934,734	12,436,216	108,425,676
2033-2034	12,074,428	9,719,206	16,179,603	37,973,237
Total	<u>\$ 239,570,606</u>	<u>\$ 155,946,663</u>	<u>\$ 32,424,394</u>	<u>\$ 427,941,663</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

Payments – Measure K Series

The annual requirements to amortize Measure K bond payable, outstanding as of June 30, 2012, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2013	\$ 18,710,000	\$ 14,871,380	\$	\$ 33,581,380
2014	9,015,000	14,264,330		23,279,330
2015	10,335,000	13,834,205		24,169,205
2016	11,745,000	13,342,630		25,087,630
2017	13,280,000	12,762,580		26,042,580
2018-2022	77,996,000	52,959,448		130,955,448
2023-2027	89,085,000	29,074,506		118,159,506
2028-2032	43,720,000	12,094,550		55,814,550
2033-2036	<u>23,195,686</u>	<u>43,498,358</u>	<u>42,489,314</u>	<u>109,183,358</u>
Total	<u>\$ 297,081,686</u>	<u>\$ 206,701,987</u>	<u>\$ 42,489,314</u>	<u>\$ 546,272,987</u>

NOTE 9 - OTHER ACCOUNTING DISCLOSURES:

A. Long-term debt - A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below.

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Amount Due in One Year</u>
Compensated absences	\$ 10,154,987	\$ 614,614	\$	\$ 10,769,601	\$ 7,970,072
Capital Leases	2,668,629		1,021,978	1,646,651	922,987
Net OPEB obligation	25,245,848	15,097,935		40,343,783	
General obligation bonds:					
General obligation bonds payable	566,082,292	81,780,000	111,210,000	536,652,292	25,370,000
Bond premium	28,141,632	10,927,374	1,541,479	37,527,527	
Deferred charge	(2,947,437)	(1,729,692)	(155,128)	(4,522,001)	
Accreted interest on capital appreciation bonds	<u>2,200,485</u>	<u>1,232,510</u>		<u>3,432,995</u>	
Totals	<u>\$ 631,546,436</u>	<u>\$ 107,922,741</u>	<u>\$ 113,618,329</u>	<u>\$ 625,850,848</u>	<u>\$ 34,263,059</u>

For governmental activities, compensated absences and net OPEB obligations are liquidated by the General Fund. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Debt Service Fund.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 9 - OTHER ACCOUNTING DISCLOSURES: (continued)

B. Capital assets - A schedule of changes in general fixed assets for the year ended June 30, 2012, is shown below:

	Beginning Balance as Originally Stated	Adjustment for Restatement See Note 15	Beginning Balance as Restated	Additions	Deletions	Ending Balance
Capital Assets Not Depreciated:						
Land	\$ 113,922,550	\$	\$ 113,922,550	\$	\$	\$ 113,922,550
Work In Progress	53,352,694	_____	53,352,694	66,321,969	4,558,630	115,116,033
Total capital assets not depreciated:	<u>167,275,244</u>	<u>-</u>	<u>167,275,244</u>	<u>66,321,969</u>	<u>4,558,630</u>	<u>229,038,583</u>
Capital assets depreciated:						
Land Improvements	21,155,860	_____	21,155,860	1,005,262	_____	22,161,122
Buildings and Improvements	707,231,707	_____	707,231,707	4,695,272	_____	711,926,979
Books and Media In Library	30,476,995	(11,565,066)	18,911,929	_____	_____	18,911,929
Vehicles	13,370,001	_____	13,370,001	67,209	60,471	13,376,739
Machinery and Equipment	53,897,388	_____	53,897,388	1,095,234	752,022	54,240,600
Total capital assets depreciated	<u>826,131,951</u>	<u>(11,565,066)</u>	<u>814,566,885</u>	<u>6,862,977</u>	<u>812,493</u>	<u>820,617,369</u>
Accumulated depreciation for:						
Land Improvements	15,017,910	_____	15,017,910	482,947	_____	15,500,857
Buildings and Improvements	294,957,999	_____	294,957,999	13,009,514	_____	307,967,513
Books and Media In Library	19,319,681	(1,927,950)	17,391,731	760,099	_____	18,151,830
Vehicles	9,740,711	_____	9,740,711	889,979	60,471	10,570,219
Machinery and Equipment	46,423,645	_____	46,423,645	2,098,904	748,733	47,773,816
Total accumulated depreciation	<u>385,459,946</u>	<u>(1,927,950)</u>	<u>383,531,996</u>	<u>17,241,443</u>	<u>809,204</u>	<u>399,964,235</u>
Total capital assets depreciated, net	<u>440,672,005</u>	<u>(9,637,116)</u>	<u>431,034,889</u>	<u>(10,378,466)</u>	<u>3,289</u>	<u>420,653,134</u>
Governmental activities capital assets, net	<u>\$ 607,947,249</u>	<u>\$ (9,637,116)</u>	<u>\$ 598,310,133</u>	<u>\$ 55,943,503</u>	<u>\$ 4,561,919</u>	<u>\$ 649,691,717</u>

Depreciation expense was allocated to the following functions:

Governmental Activities:	
Instruction	\$14,001,961
Instruction – Related Services	791,736
Pupil Services	372,939
General Administration	879,190
Plant Services	<u>1,195,617</u>
 Net governmental activities depreciation expense	 <u>\$17,241,443</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 10 - INTERNAL SERVICE FUNDS:

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

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

The District is self-insured for claims related to workers' compensation. The District carries excess insurance for claims over their retention.

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

Liabilities for loss and loss adjustment expenses for each Internal Service Fund are based on the ultimate cost of settling the claims which include the accumulation of estimates for losses reported prior to the balance sheet date and an estimate of losses incurred but not reported. Such liabilities, which are discounted at 1.3%, are estimates of future expected settlement and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed, and as settlements are made, or reserves adjusted, differences are reflected in current operations.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 10 - INTERNAL SERVICE FUNDS: (continued)

At June 30, 2012, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is estimated at \$42,642,467. The Self Insurance Funds currently have a combined positive fund balance of \$33,180,128. This is largely due to workers' compensation balances. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Workers' Compensation	\$ 32,629,035	\$ 7,309,292	\$ 10,814,101	\$ 29,124,226
Deductible Insurance	262,397	1,109,613	577,919	794,091
Health, Vision and Dental	<u>12,690,366</u>	<u>46,869,364</u>	<u>46,835,580</u>	<u>12,724,150</u>
	<u>\$ 45,581,798</u>	<u>\$ 55,288,269</u>	<u>\$ 58,227,600</u>	<u>\$ 42,642,467</u>

NOTE 11 - EMPLOYEE RETIREMENT PLANS:

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

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The average required employer contribution for fiscal year 2011-12 was 10.923% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

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

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2010	\$31,546,874	100%	\$10,973,760	100%
2011	29,493,082	100%	11,301,310	100%
2012	27,985,755	100%	11,460,561	100%

NOTE 12 - ALTERNATE PENSION PLANS:

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

Plan Description and Contribution Information

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	533
Terminated plan members entitled to but not yet receiving benefits	27,660
Active plan members	2,559
Number of participating employers	1
Contributions by Employee for the year	\$943,491
Contributions by Employer for the year	\$ 86,248

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 12 - ALTERNATE PENSION PLANS: (continued)

Long Beach Schools Business Management Authority Retirement Plan

In 1998, the Long Beach Unified School District approved the development of an alternate retirement system for management employees of the District. The Long Beach Schools Business Management Authority Retirement Plan (LBSBMA) is a defined benefit pension plan established as an alternative to PERS (Public Employees Retirement System). As of July 1, 2004, the plan is no longer accepting new members. The District has negotiated to have participating members reinstated in PERS. LBSBMA covered pension benefits for employees that elected to participate in the plan. Employees who qualified for the plan were classified management and supervisors. The plan was established under IRS Code 401(a).

Plan Description and Contribution Information

Retirees and beneficiaries receiving benefits	40
Terminated plan members entitled to but not yet receiving benefits	92
Active plan members	0
Number of participating employers	1
Contributions by Employee for the year	\$0
Contributions by Employer for the year	\$0

Plan Financial Information

Per GASB 34 paragraph 106, the financial information for both plans is provided below as there are no separate GAAP financial statements for the plans.

	ARS	PARS	LBSBMA
Assets:			
Cash and cash equivalents	\$	\$	\$ 722,068
Investments, at fair value:			
U.S. Government obligations	20,272,485	6,377,743	
Total Assets	\$ 20,272,485	\$ 6,377,743	\$ 722,068

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 12 - ALTERNATE PENSION PLANS: (continued)

Plan Financial Information (continued)

	<u>ARS</u>	<u>PARS</u>	<u>LBSBMA</u>
Additions			
Contributions:			
Employer	\$	\$ 86,248	\$
Plan members		943,491	
Total Contributions	<u>-</u>	<u>1,029,739</u>	<u>-</u>
Investment earnings:			
Interest and dividends	(11,682)	161	5
Net Investment Earnings	<u>(11,682)</u>	<u>161</u>	<u>5</u>
Total Additions (Deletions)	<u>(11,682)</u>	<u>1,029,900</u>	<u>5</u>
Deductions:			
Benefits	431,880	208,888	144,475
Administrative expenses	112,239	32,657	8,573
Total Deductions	<u>544,119</u>	<u>241,545</u>	<u>153,048</u>
Change in net assets	(555,801)	788,355	(153,043)
Net assets - beginning of year	<u>20,828,286</u>	<u>5,589,388</u>	<u>875,111</u>
Net assets - end of year	<u>\$ 20,272,485</u>	<u>\$ 6,377,743</u>	<u>\$ 722,068</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS:

The District administers a single-employer defined benefit health care plan. At June 30, 2012, there were 1,201 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 \$12,144,065 for the health benefits of 776 retirees that qualified for this coverage during 2011-12. The other 425 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2012, the District collected \$3,423,357 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 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2012, the District contributed \$12,144,065 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, 2012

NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Annual required contribution (ARC)	\$ 27,068,000
Interest on net OPEB obligation	1,262,000
Adjustment to annual required contribution	<u>(1,088,000)</u>
Annual OPEB cost (expense)	27,242,000
Contributions made	<u>(12,144,065)</u>
Change in net OPEB obligation	15,097,935
Net OPEB obligation - Beginning of Year	<u>25,245,848</u>
Net OPEB obligation - End of Year	<u><u>\$ 40,343,783</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2010, 2011 and 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 20,391,286	47%	\$ 15,558,671
6/30/2011	\$ 21,143,000	54%	\$ 25,245,848
6/30/2012	\$ 27,242,000	45%	\$ 40,343,783

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$329,401,000. The covered payroll (annual payroll of active employees covered by the plan) was \$433,965,000, and the ratio of the UAAL to the covered payroll was 76%. Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2012, the OPEB portion of the self-insurance fund's designated balance was \$2,988,972.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 13 - POSTEMPLOYMENT - HEALTH BENEFITS: (continued)

Funding Status and Funding Progress (continued)

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 postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2011 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 5.0 percent after 10 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, 2012

NOTE 14 - JOINT POWERS AGREEMENTS:

The Long Beach Unified School District participates in two joint powers agreement (JPA) entities, the Alliance of Schools for Collective Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that neither of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

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

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 operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual premium based upon the amounts calculated by SELF's board of directors and shares surpluses and deficits proportionate to its participation in SELF.

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

	ASCIP 6/30/2011 <u>(Audited)</u> (in thousands)	SELF 6/30/2011 <u>(Audited)</u> (in thousands)
Total assets	\$ 256,717	\$ 174,774
Total liabilities	<u>144,684</u>	<u>141,524</u>
Fund equity	<u>\$ 112,033</u>	<u>\$ 33,250</u>
Total revenues	\$ 184,317	\$ 9,165
Total expenditures	<u>178,239</u>	<u>12,425</u>
Net increase (decrease) in fund equity	<u>\$ 6,078</u>	<u>\$ (3,260)</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 15 - RESTATEMENT TO BEGINNING NET ASSETS:

The beginning net assets for the government-wide statements have been restated by \$9,637,116 because the fixed assets balance of books and media in libraries was overstated in previous years due to an error in the asset valuation software.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. Contingent Liabilities

Cafeteria

In 2002-03, the District restated its fund balance in the Cafeteria Fund and the General Fund to adjust the undercharging of indirect costs by the General Fund for prior years. This resulted in an addition to the General Fund and reduction in the Cafeteria Fund amounting to \$3,862,992. The Nutrition Services Division of the California Department of Education issued a letter dated August 11, 2005, indicating that the District's General Fund must return a portion of this to the Cafeteria Fund. The General Fund will reimburse the Cafeteria Fund for a portion of the restatement in the amount of \$1,968,212 over a ten year period to end in the fiscal year 2014-2015. The General Fund has made the appropriate transfer in the 2011-12 fiscal year and the amount remaining to be transferred is \$590,464. This is not reflected in the government wide statements since it is within the funds of the District.

B. Litigation

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

C. 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.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (continued)

D. County School Facilities Funds

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

E. Purchase Commitments

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$17.6 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

F. General Obligation Bonds

The Board of Education intends to issue a 2013 series of its Measure K bonds for purposes authorized by the voters of the District. In June 2012, the Board passed a resolution requesting the Board of Supervisors of Los Angeles County to establish a tax rate for this bond issuance.

NOTE 17 - SUBSEQUENT EVENT

The District is in the process of securing Tax Revenue Anticipation Notes to supplement its cash flow for fiscal year 2012-13. The District anticipates completing this process in December 2012.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
Revenue limit sources:					
State apportionments	\$ 353,211,333	\$ 351,840,568	\$ 351,568,088	\$	\$ 351,568,088
Local sources	<u>71,404,437</u>	<u>73,230,908</u>	<u>73,327,756</u>		<u>73,327,756</u>
Total revenue limit sources	424,615,770	425,071,476	424,895,844	-	424,895,844
Federal sources	68,892,096	111,129,047	91,719,466		91,719,466
Other state sources	149,852,096	151,730,116	152,207,978		152,207,978
Other local sources	<u>10,168,626</u>	<u>21,825,903</u>	<u>20,709,263</u>	<u>5,956</u>	<u>20,715,219</u>
Total Revenues	<u>653,528,588</u>	<u>709,756,542</u>	<u>689,532,551</u>	<u>5,956</u>	<u>689,538,507</u>
Expenditures					
Certificated salaries	314,011,186	337,913,266	330,548,598		330,548,598
Classified salaries	99,257,898	103,513,421	102,453,946		102,453,946
Employee benefits	158,023,797	164,205,375	162,539,394		162,539,394
Books and supplies	14,847,602	44,562,645	15,590,618		15,590,618
Services and Other Operating Expenses	79,079,655	90,520,102	77,130,412		77,130,412
Capital outlay	789,788	1,815,936	1,405,262		1,405,262
Other transfers out	234,900	178,911	178,911		178,911
Direct support/Indirect costs	<u>(1,372,989)</u>	<u>(1,494,723)</u>	<u>(1,177,479)</u>		<u>(1,177,479)</u>
Total Expenditures	<u>664,871,837</u>	<u>741,214,933</u>	<u>688,669,662</u>	<u>-</u>	<u>688,669,662</u>
Excess (deficiency) of revenues over expenditures	<u>(11,343,249)</u>	<u>(31,458,391)</u>	<u>862,889</u>	<u>5,956</u>	<u>868,845</u>
Other Financing Sources (Uses)					
Interfund transfers in		32,995	32,995		32,995
Interfund transfers out	(1,767,613)	(1,767,613)	(1,767,613)	1,767,613	-
Transfer between combined funds	<u>(4,355,776)</u>	<u>(503,528)</u>	<u>(503,528)</u>		<u>(503,528)</u>
Total Other Financing Sources (Uses)	<u>(6,123,389)</u>	<u>(2,238,146)</u>	<u>(2,238,146)</u>	<u>1,767,613</u>	<u>(470,533)</u>
Net change in fund balances	<u>\$ (17,466,638)</u>	<u>\$ (33,696,537)</u>	(1,375,257)	1,773,569	398,312
Fund Balance - Beginning of Year			<u>109,929,850</u>	<u>252,580</u>	<u>110,182,430</u>
Fund Balance - End of Year			<u>\$ 108,554,593</u>	<u>\$ 2,026,149</u>	<u>\$ 110,580,742</u>

(a) Amounts presented are the result of the District including activity of the Special Reserve fund (Other than Capital Outlay). (See Note 1B)

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding 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%	488,786,036	47%
7/1/2011	-	329,401,000	329,401,000	0%	433,965,000	76%

Note: Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2012, the OPEB portion of the self-insurance fund's designated balance was \$2,988,972.

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison For The General Fund

GASB Statement No. 34 requires a budgetary comparison be presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

B. Schedule of Postemployment Healthcare Benefits Funding Progress

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

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations in the General Fund.

SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2012

The Long Beach Unified School District began operations as a newly formed unified district on July 1, 1945. During the current year, the District maintained forty-four elementary schools, twenty-seven middle and K-8 schools, eleven high schools (including a continuation school, independent study and science academy), one adult school and five charter schools.

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Felton Williams	President	July, 2012
Dr. David Barton (resigned 01/22/12)	Vice President	July, 2014
Jon Meyer	Member Vice President (effective 1/23/12)	July, 2012
Mary Stanton	Member	July, 2014
John McGinnis	Member	July, 2014
Diana Craighead (effective 03/27/12)	Member	July, 2014

ADMINISTRATIVE OFFICERS

Christopher Steinhauser	Superintendent of Schools
Christine Dominguez	Deputy Superintendent
James Novak	Chief Business and Financial Officer

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2012

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

The second period ADA statistics reported to the State for the fiscal year ended June 30, 2012 are as follows:

	Revised Second Period	ADA Adjustment per Audit	Audited Revised Second Period
Elementary:	5,740		5,740
Kindergarten	17,232		17,232
First through third grade	16,897		16,897
Fourth through eight grade	11,459		11,459
Opportunity schools	18		18
Home and hospital - temporary physical disabilities	25		25
Special Education master plan	1,765		1,765
Special Education - nonpublic, nonsectarian schools	37		37
Extended year special education - mandated	89		89
Extended year - nonpublic, nonsectarian schools	4		4
Total elementary ADA	<u>53,266</u>	<u>-</u>	<u>53,266</u>
Secondary:			
Regular classes	24,214	(32)	24,182
Continuation education	309		309
Opportunity schools	14		14
Home and hospital - temporary physical disabilities	25		25
Special Education master plan	1,021		1,021
Special Education - nonpublic, nonsectarian schools	145		145
Community day school	4		4
Extended year special education - mandated	85		85
Extended year - nonpublic, nonsectarian schools	26		26
Total secondary ADA	<u>25,843</u>	<u>(32)</u>	<u>25,811</u>
Total Regular School ADA	<u>79,109</u>	<u>(32)</u>	<u>79,077</u>
		Audited	
		Revised Second Period	
		Classroom	
		Based	Total
Emerson Charter School:			
Kindergarten		101	101
First through third grade		307	307
Fourth through eight grade		<u>210</u>	<u>210</u>
Total Charter School ADA		<u>618</u>	<u>618</u>
Total ADA			<u>79,695</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2012

The annual period ADA statistics reported to the State for the fiscal year ended June 30, 2012 are as follows:

	<u>Revised Annual</u>	<u>ADA Adjustment per Audit</u>	<u>Audited Revised Annual</u>
Elementary:	5,736		5,736
Kindergarten	17,187		17,187
First through third grade	16,870		16,870
Fourth through eight grade	11,430		11,430
Opportunity schools	21		21
Home and hospital - temporary physical disabilities	27		27
Special Education master plan	1,781		1,781
Special Education - nonpublic, nonsectarian schools	40		40
Extended year special education - mandated	90		90
Extended year - nonpublic, nonsectarian schools	5		5
Total elementary ADA	<u>53,187</u>	<u>-</u>	<u>53,187</u>
Secondary:			
Regular classes	24,094	(32)	24,062
Continuation education	283		283
Opportunity schools	14		14
Home and hospital - temporary physical disabilities	27		27
Special Education master plan	1,015		1,015
Special Education - nonpublic, nonsectarian schools	147		147
Community day school	5		5
Extended year special education - mandated	86		86
Extended year - nonpublic, nonsectarian schools	27		27
Total secondary ADA	<u>25,698</u>	<u>(32)</u>	<u>25,666</u>
Total Regular School ADA	<u>78,885</u>	<u>(32)</u>	<u>78,853</u>
		<u>Audited Revised Annual</u>	
		Classroom	
		Based	Total
Emerson Charter School:		101	101
Kindergarten		308	308
First through third grade		210	210
Fourth through eight grade		<u>619</u>	<u>619</u>
Total Charter School ADA		<u>619</u>	<u>619</u>
Total ADA			<u>79,472</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2012**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Minutes Reduced</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Minutes Reduced</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	33,600	31,747	29,631	36,000	180	In Compliance
Grade 1	50,400	47,040	49,930	46,601	50,562	180	In Compliance
Grade 2	50,400	47,040	49,930	46,601	50,562	180	In Compliance
Grade 3	50,400	47,040	49,930	46,601	50,600	180	In Compliance
Grade 4	54,000	50,400	52,110	48,636	54,055	180	In Compliance
Grade 5	54,000	50,400	52,110	48,636	54,055	180	In Compliance
Grade 6	54,000	50,400	52,110	48,636	55,920	180	In Compliance
Grade 7	54,000	50,400	52,110	48,636	55,920	180	In Compliance
Grade 8	54,000	50,400	52,110	48,636	55,920	180	In Compliance
Grade 9	64,800	60,480	64,800	60,480	64,808	180	In Compliance
Grade 10	64,800	60,480	64,800	60,480	64,810	180	In Compliance
Grade 11	64,800	60,480	64,800	60,480	64,810	180	In Compliance
Grade 12	64,800	60,480	64,800	60,480	64,810	180	In Compliance

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME - EMERSON CHARTER SCHOOL
For the Fiscal Year Ended June 30, 2012**

<u>Grade Level</u>	<u>2011-12 Minutes</u>			<u>Status</u>
	<u>Normal Requirement</u>	<u>Reduced Requirement</u>	<u>Actual Minutes</u>	
Kindergarten	36,000	33,600	56,820	In Compliance
Grade 1	50,400	47,040	52,450	In Compliance
Grade 2	50,400	47,040	52,450	In Compliance
Grade 3	50,400	47,040	52,450	In Compliance
Grade 4	54,000	50,400	54,055	In Compliance
Grade 5	54,000	50,400	54,055	In Compliance

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Categorical Aid Programs:			
Department of Education:			
Direct Programs			
Indian Education	84.060	(1)	\$ 14,607
GEAR UP	84.334A	(1)	2,982,864
Smaller Learning Communities	84.215L	(1)	1,312,870
Magnet School Assistance	84.165	(1)	12,673
The C.O.R.E of American History Grant	84.215X	(1)	378,682
School Leadership Program	84.363A	(1)	628,598
S.P.A.R.K.	84.359B	(1)	1,115,673
Subtotal: Direct Programs			6,445,967
Pass-Through Program From California Department of Education			
Special Education Cluster			
IDEA Basic Local Assistance Entitlement	84.027	13379	13,215,272
IDEA Basic Local Assist - Private School	84.027	10115	94,697
Federal Preschool Grants	84.173A	13430	327,829
Preschool Local Entitlement	84.027A	13682	950,927
IDEA Mental Health Allocation Plan, Part B Sec 611	84.027A	14468	460,633
Preschool Staff Development	84.173A	13431	3,027
Early Intervention	84.181	23761	264,596
Alternative Dispute Resolution	84.027A	13007	15,000
Subtotal Special Education Cluster			15,331,981
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	39,779,035
Title II, Part A, Improving Teacher Quality	84.367	14341	4,536,865
Title II, Part D Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	117,974
American Reinvestment and Recovery Act: Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.386	15019	479,527
American Reinvestment and Recovery Act: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.386	15126	433,533
Subtotal Title II, Part D Cluster			1,031,034
Education Jobs Fund	84.410	25152	16,129,984
Migrant Education	84.011	14838	522,685
Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	84.048	14893	43,134
Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	84.048	14894	725,613
Safe & Drug Free Schools	84.186	14347	72,181
Adult Education Cluster			
Adult Basic Education and ESL	84.002A	14508	316,450
Adult Secondary Education	84.002A	13978	101,685
English Literacy and Civics Education	84.002A	14109	234,963
Subtotal Adult Education Cluster			653,098
Title IV, Part B, 21st Century Learning Centers	84.287	14349	2,231,555
Title III, Immigrant Education	84.365	15146	247,776
Title III, Limited English Proficient Children	84.365	14346	2,356,830
No Child Left Behind: Title X McKinney - Vento Homeless Children Assistance Grants	84.196	14332	38,406
Advance Placement Fee	84.330	14831	199,600
Subtotal: California Department of Education			83,899,777
Pass-Through Program From California Department of Rehabilitation			
Dept of Rehab: Workability II, Transition Partnership	84.158	10006	388,735
Pass-Through Program From the City of Long Beach			
Even Start Family Literacy	84.213	14331	86,673
Long Beach Youth Academy: Camp-to-Community	84.215K	(1)	115,000
Subtotal: The City of Long Beach			201,673
Total: U.S. Department of Education			90,936,152

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Programs			
Head Start	93.600	10016	47,556
Head Start - Early	93.600	(1)	1,909,942
Head Start - Basic Grant	93.600	(1)	16,145,673
Head Start - Training & Tech Assistance	93.600	(1)	158,880
Subtotal: Direct Programs			<u>18,262,051</u>
Pass-Through Program From California Department of Education			
Child Development: Federal Child Care	93.596	13609	<u>1,851,284</u>
Pass-Through Program From California Department of Health Services			
Medi-Cal	93.778	10013	1,002,629
Medi-Cal - Administrative	93.778	10600	628,070
Subtotal: California Department of Health Services			<u>1,630,699</u>
Total: U.S. Department of Health and Human Services			<u>21,744,034</u>
Corporation for National and Community Service:			
Pass-Through Program From California Department of Education			
CalServe Developmental District Partnership	94.004	14939	<u>19,857</u>
Department of Defense:			
Direct Program			
Reserve Officers Training Corps	12.000	(1)	<u>225,439</u>
Department of Agriculture:			
Pass-Through Program From California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13523	20,375,716
Especially Needy Breakfast	10.553	13526	5,725,484
Basic School Breakfast	10.553	13525	29,972
Federal Snack Program	10.000	(1)	559,068
Child and Adult Care Food Program	10.558	13529	586,994
Child and Adult Care Food Program	10.558	13529	91,338
Cash In Lieu of Commodities	10.558	13534	30,604
Cash In Lieu of Commodities	10.558	13534	5,444
Total: Department of Agriculture			<u>27,404,620</u>
Total Federal Program Expenditures			<u>140,330,102</u>
Reconciliation to Federal Revenues:			
Expenditure in excess of revenue related to Federal Entitlements			
Advance Placement Fee	84.330	14831	(47,646)
Revenue in excess of expenditure related to Federal Entitlements			
Medi-Cal	93.778	10013	338,100
Medi-Cal - Administrative	93.778	10600	472,310
Child Development: Federal Child Care	93.596	13609	49,567
Child and Adult Care Food Program	10.558	13529	33,218
Other Federal Revenue			
Qualified School Construction Bonds			2,846,039
Total Federal Revenue			<u>\$ 144,021,690</u>

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

The District is the recipient of a Federal award program that does not result in cash receipts or disbursements.
The District was granted \$2,123,938 of commodities under the National School Lunch Program (CFDA 10.555)

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	(Budget) 2013		2012		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue								
Revenue Limit Sources	\$ 424,847,065	62.4	\$ 424,895,844	61.5	\$ 430,079,318	61.7	\$ 413,767,747	56.7
Federal	65,454,113	9.6	91,719,466	13.3	99,876,960	14.3	111,489,599	15.3
State	148,933,642	21.9	152,207,978	22.0	160,528,568	23.0	172,298,773	23.6
County and Local	8,955,698	1.3	20,709,263	3.0	16,802,486	2.4	15,373,656	2.1
Other Sources			32,995	0.0			26,391,176	3.6
Total Revenue	648,190,518	95.2	689,565,546	99.8	707,287,332	101.4	739,320,951	101.3
Expenditures								
Certificated Salaries	324,767,000	47.7	330,548,598	47.90	347,284,923	49.8	372,675,325	51.1
Classified Salaries	101,672,255	14.9	102,453,946	14.90	101,370,718	14.5	108,092,317	14.8
Employee Benefits	162,649,152	23.9	162,539,394	23.40	157,625,864	22.6	159,699,713	21.9
Books and Supplies	14,631,854	2.2	15,590,618	2.3	15,668,356	2.2	14,789,578	2.0
Services and Other Operating Expenses	69,017,912	10.2	77,130,412	11.2	70,996,427	10.2	66,560,433	9.1
Capital Outlay	807,174	0.1	1,405,262	0.2	1,827,126	0.3	962,051	0.1
Other Transfers Out	162,897	-	178,911	-	177,922	-	124,426	-
Direct Support/Indirect Costs	(1,018,447)	(0.1)	(1,177,479)	(0.2)	(1,563,311)	(0.2)	(1,509,944)	(0.2)
Interfund Transfers Out	7,670,667	1.1	2,271,141	0.3	3,940,833	0.6	8,800,785	1.2
Total Expenditures	680,360,464	100.0	690,940,803	100.0	697,328,858	100.0	730,194,684	100.0
Change in Fund Balance	\$ (32,169,946)	(4.7)	\$ (1,375,257)	(0.2)	\$ 9,958,474	1.4	\$ 9,126,267	1.2
Ending Fund Balance	\$ 76,384,647	11.2	\$ 108,554,593	15.7	\$ 109,929,850	15.8	\$ 99,971,376	13.7
Available Reserve	\$ 13,607,209	2.0	\$ 13,818,815	2.0	\$ 13,946,577	2.0	\$ 14,603,894	2.0
Recommended Reserve Percentage		2.0		2.0		2.0		2.0
Average Daily Attendance	77,922		79,077		80,039		81,103	
Total Long-Term Debt	\$ 599,867,973		\$ 625,850,848		\$ 631,546,436		\$ 569,020,353	

IMPORTANT NOTES:

Amounts above are those reported as General Fund in the State accounting software and do not include Special Revenue Funds reported in the General Fund.

Available reserves are those amounts reserved for economic uncertainty, contingencies and any other remaining unassigned fund balance from the General Fund.

Fiscal year 2013 original budget as adopted on June 18, 2012.

All percentages are of total expenditures.

Average daily attendance is based upon P-2.

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2012**

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

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

There were no differences between the fund balances reported on the June 30, 2012 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

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

B. 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.

C. Schedule of Instructional Time – Emerson Charter School

This schedule presents information on the amount of instructional time offered by the charter school and whether they complied with the provisions of Education Code Sections 46200 through 46206.

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule is presented on the modified accrual basis of accounting.

E. Schedule of Financial Trends and Analysis

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Schedule of Charter Schools

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

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

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

OTHER INDEPENDENT AUDITOR'S REPORTS



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District) as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 and correct 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 financial statements will not be prevented or detected and corrected on a timely basis.

**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***

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

November 9, 2012



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

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

Compliance

We have audited the compliance of Long Beach Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the 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 management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

November 9, 2012

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

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

We have audited the compliance of the Long Beach Unified School District with the types of compliance requirements described in the *2011-12 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2012. The District’s State compliance requirements are identified in the table below. Compliance with the State laws and regulations as identified below is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit 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 the *2011-12 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Continuation education	10	Yes
Independent study	23	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
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
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils – Pertussis Immunization	2	Yes
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes ¹
Mode of instruction	1	Yes ¹
Nonclassroom-based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes ¹

In our opinion, we found that, for the items tested, the Long Beach Unified School District complied with the laws and regulations of the state programs referred to above in all material respects, except as described in the Schedule of Findings and Questioned Costs Related to the State Awards section of this report.

The Long Beach Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs Related to State Awards. We did not audit the District's response and, accordingly, we express no opinion on it.

¹Testing for Emerson Charter School was done in conjunction with the District audit. Testing for all other Charter Schools was done by each school's respective auditor.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

This report is intended solely for the information and use of management, the audit committee, the Board, the Los Angeles County Office of Education, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 9, 2012

FINDINGS AND RECOMMENDATIONS

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2012

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported
 Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for
 major programs: Unqualified

Any audit findings disclosed that are required to be
 Reported in accordance with Circular A-133,
 Section .510(a) Yes X No

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.318, 84.386	Title II, Part D Cluster, including American Reinvestment and Recovery Act
84.367	Title II, Part A, Improving Teacher Quality
84.410	Education Jobs Fund
10.000, 10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2012

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

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

There were no findings and questioned costs related to the basic financial statements for the fiscal year ended June 30, 2012.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2012

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2012.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2012

FINDING 12-01 – INDEPENDENT STUDY RATIO **40000**

Finding: California Education Code 51745.6 requires that the ratio of average daily attendance (ADA) for independent study pupils 18 years of age or less to school district full-time equivalent (FTE) certificated employees responsible for independent study cannot exceed the equivalent ratio of pupils to full-time certificated employees for all other education programs operated by the District. Our testing identified that the District’s independent study ratio exceeds the ratio of pupils to full-time certificated employees for all other education programs by one.

Questioned Costs: Ratio of 1 x 32 FTE = 32 excess ADA x \$5,167.05 (Deficited Base Revenue Limit) = \$165,346.

Recommendation: Revise and submit the second-period attendance report to the California Department of Education to exclude the excess ADA. In addition, the District should establish procedures to monitor the Independent Study Ratio on a regular basis.

District Response: The second-period attendance report has been revised to exclude the Independent Study excess ADA. This report has been submitted to the California Department of Education. The District is in the process of establishing procedures to monitor the Independent Study ratio of pupils to full-time certificated employees on a regular basis.

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

LONG BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2012

There were no findings and questioned costs related to basic financial statements, federal awards or state awards for the year ended June 30, 2011.