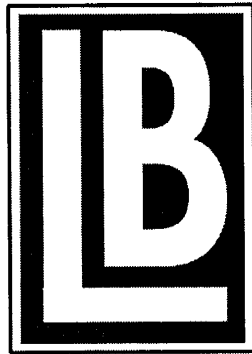


LONG BEACH COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2007**



CITY

COLLEGE

LONG BEACH COMMUNITY COLLEGE DISTRICT

**AUDIT REPORT
June 30, 2007**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Long Beach Community College District, as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

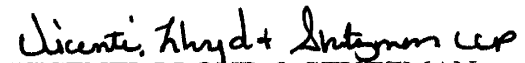
In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Long Beach Community College District as of June 30, 2007, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 on our consideration of the Long Beach Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Board of Trustees
Long Beach Community College District

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Long Beach Community College District's financial statements. The management's discussion and analysis section, supplementary section and continuing disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis section and continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Long Beach Community College District (the "District") for the year ended June 30, 2007. This discussion is prepared by management and should be read in conjunction with the financial statements and notes, which follow this section.

The District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 28,000 students at two campuses, the Liberal Arts Campus and the Pacific Coast Campus, and at numerous satellite locations. To serve its community, the District offers a comprehensive set of education programs and support services in response to student and community needs and plays a key role in transfer preparation, workforce development, basic skills, associate degrees, English as a Second Language instruction, economic development, and lifelong learning.

Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which changed the reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applies these reporting standards to public colleges and universities. The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office recommended that all California community colleges follow these standards under the Business Type Activity (BTA) model. Nearly all public colleges and universities nationwide have selected the BTA reporting model, which makes it easier to display comparable data. As such, the District uses the BTA model for reporting its financial statements.

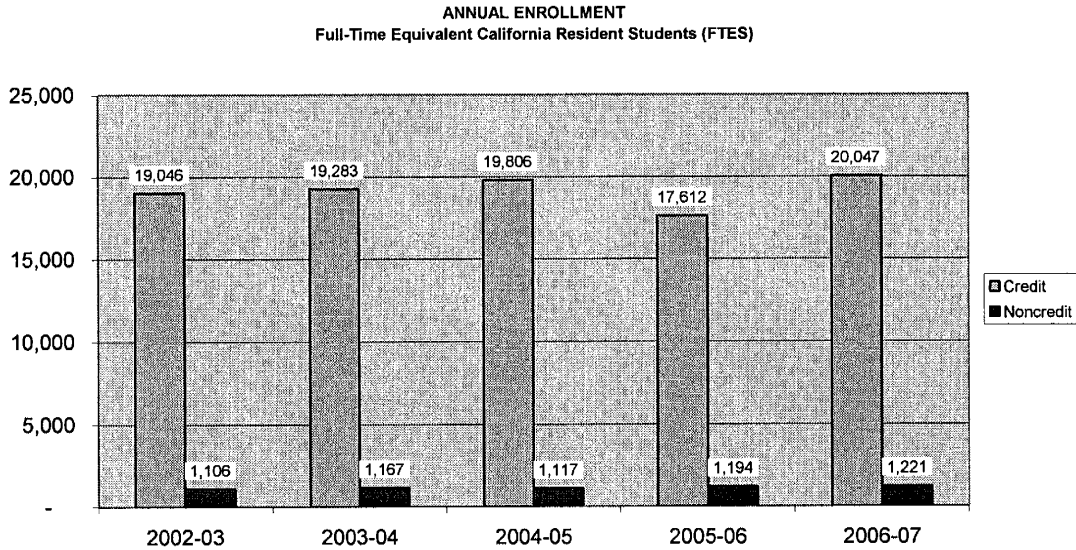
Financial and Enrollment Highlights

- In 2006-07 the District's primary funding source was "State Apportionment Funding" received from the State of California through the State Chancellor's Office. This funding is comprised of State apportionment, local property taxes, and student enrollment fees, which were \$26 per unit for Fall and \$20 per unit for Spring in the year ending June 30, 2007. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total factored FTES were 21,268, for the 2006-07 fiscal year.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007



- The District ended the year with an Unrestricted General Fund balance of \$13,611,699 which is an increase of \$7,098,697. This ending fund balance is 12.9% of expenditures and other financing uses.
- The primary expenditure of the District is for the salaries and benefits for academic, classified, and administrative salaries. For governmental funds these costs increased from the previous fiscal year by approximately \$11.2 million to \$108.3 million. This 11.5% increase is due to higher salary and benefit costs and a slightly larger workforce.
- The District has begun construction of new facilities including:

Location	% Complete
<u>Liberal Arts Campus</u>	
South Quad Complex	31%
Learning Resources Center	2%
Central Plant	15%
<u>Pacific Coast Campus</u>	
Learning Resources Center	6%
Technology Building	94%

These projects were funded through the District's \$176 million general obligation bond program.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- The District provided student financial aid to qualifying students of the District in the amount of approximately \$24.3 million. This represents a \$1.6 million decrease from the 2005-06 fiscal year. This aid is provided through grants and loans from the Federal and State governments and is accounted for in the Student Financial Aid Fund.
- Cash in the Retiree Benefit Fund was \$3.8 million, which is an increase of \$2.7 million from the previous year. Although this is a step in the right direction, challenges remain to fully fund the retiree benefits liability of \$31.6 million, as determined by an actuary study dated March 1, 2007.

Financial Statement Presentation and Basis of Accounting Governmental Funds

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

The financial statements noted above are prepared in accordance with Governmental Accounting Standards Board Statements No. 34 and 35, which provides an entity wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District governmental funds including Student Financial Aid Programs, Proprietary Funds and a portion of the Retiree Benefits Fund deemed to be governmental in nature.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and 35, the financial statements have been prepared under the full accrual basis of accounting, which requires that revenues are recognized when earned and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2007 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net assets recorded on the full accrual basis of accounting is as follows:

Unrestricted Fund Balance	\$ 15,759,912
Restricted Fund Balance	2,594,413
Bond Interest and Redemption Fund Balance	2,459,137
Revenue Bond Construction Fund Balance (General Obligation)	37,901,587
Capital Outlay Fund Balance	4,361,386
All Other Funds	<u>10,711,458</u>
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	<u>73,787,893</u>
COPS Debt Service trustee fund activity (not reported on CCFS-311, see page 50)	8,365,532
Capital Outlay trustee activity for financing agreement (not reported on CCFS-311, see page 50)	15,700,094
Auxiliary (not reported on CCFS-311, see page 50)	1,917,979
Restatement to Unrestricted General Fund Balance (see page 34 and 50)	425,390
Net audit adjustments, see page 50	<u>(1,354,081)</u>
Total Ending Fund balances	<u>\$ 98,842,807</u>

The \$425,390 restatement to the Unrestricted General Fund Balance is from cash with fiscal agent to pay workers' compensation settlements which was not previously shown on the District's financial statement. The District's third-party workers' compensation administration makes payments to claimants, on the District's behalf, as the need arises.

Net audit adjustments of (\$1,354,081) are primarily due to the District's accounting policy change to apply accrual accounting principles to apportionment funding from the State. This will bring the District into full compliance with GASB requirements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because of the following GASB 34/35 full disclosure requirements:

Total Ending Fund balances	\$ 98,842,807
----------------------------	---------------

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

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets. Capital assets of \$463,472, are already reported in the Auxiliary Fund.	128,644,819
--	-------------

Compensated absences and load banking are not due and payable in the current period, and therefore are not reported in the governmental funds. Compensated absences and load banking of \$182,922 and \$68,669 are already reported in the Unrestricted General Fund and the Auxiliary, respectively.	(4,232,827)
---	-------------

Short-term and long-term liabilities, including bonds, certificates of participation, financing agreement and capital leases are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Short-term and long-term liabilities are added to the statement of net assets which reduces the total net assets reported.	(158,374,782)
---	---------------

Interest expense related to bonds incurred through June 30, 2007 are required to be accrued under full accrual basis of accounting. This liability is added to the statement of net assets, which reduces the total net assets reported.	(670,856)
--	-----------

The supplemental employee retirement plan liability is not due and payable in the current period and, therefore, not reported as a liability in the governmental funds.	(1,285,366)
---	-------------

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

Amounts for 2006-07 property taxes levied for debt service not received as of June 30, 2007.	549,173
--	---------

Reduction for Post Retirement Employee Benefits (OPEB) for amounts held in irrevocable trust and reported as fiduciary activity.	<u>(1,008,699)</u>
--	--------------------

Total Net Assets	<u>\$ 61,032,597</u>
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The total net assets balance of \$61.0 million is an increase of \$11.9 million (24.3%) compared to the previous fiscal year. The most significant factor causing this increase is the changes in income and expenditures.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year. It is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a "point-in-time" financial statement. The purpose of this statement is to present the readers with a fiscal snapshot of the District on June 30, 2007. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District. The change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

Total net assets increased 25.7% from \$48.5 million to \$61.0 million. Major components comprising this increase are prepaid expenses, and restricted cash and cash equivalents. Other significant changes in net assets include deferred revenue.

Prepaid expenses increased from \$203,262 to \$2,022,174, and are comprised of the following:

Supplemental Early Retirement Program	\$	679,776
Workers' Compensation Insurance	\$	277,656
Lease / Purchase of Central Plant Equipment	\$	604,659
Construction Insurance for Work in Progress	\$	441,843
Building Rent Expense	\$	14,919
ASB Auxiliary	\$	2,465
Maintenance of Nursing Equipment	\$	856

Restricted cash and cash equivalents increased from \$8,076,199 to \$25,366,562. This increase is mostly due to \$15,700,094 of cash with fiscal agent in the Capital Projects Fund. Briefly, these funds are to finance the equipment and construction costs of the Central Plants at each of the two campuses. The Central Plants will mass produce economical cooling for facilities.

Deferred revenue increased from \$2,916,662 to \$5,130,060. This increase is due to un-spent grant funds including State Block Grants, Basic Skills Funds, Staff Development, Long Beach Port Opportunities, Health Care Administrators, and the Knight Foundation. Management is planning the most effective use of these restricted dollars to implement future new and expand current student success programs to benefit students.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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

	(in thousands) <u>2007</u>	(in thousands) <u>2006*</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 63,818	\$ 79,800	-20%
Receivables	15,785	17,421	-9%
Due from fiduciary fund and Foundation	25	38	-34%
Inventories	1,094	972	13%
Prepaid expenses	<u>2,022</u>	<u>203</u>	896%
Total current assets	<u>82,744</u>	<u>98,434</u>	-16%
Non-current assets			
Restricted cash and cash equivalents	25,367	8,076	214%
Investments	8,365	9,514	-12%
Capital assets, net of depreciation	<u>129,108</u>	<u>98,726</u>	31%
Total non-current assets	<u>162,840</u>	<u>116,316</u>	40%
TOTAL ASSETS	<u>245,584</u>	<u>214,750</u>	14%
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13,685	13,204	4%
Due to fiduciary funds	141	276	-49%
Deferred revenue	5,130	2,917	76%
Amounts held in trust for others	19	41	-54%
Estimated claims liability	1,432	1,432	0%
Long-term liabilities - current portion	<u>8,895</u>	<u>7,658</u>	16%
Total current liabilities	<u>29,302</u>	<u>25,528</u>	15%
Non-current liabilities			
Long-term liabilities less current portion	<u>155,249</u>	<u>140,107</u>	11%
Total non-current liabilities	<u>155,249</u>	<u>140,107</u>	11%
TOTAL LIABILITIES	<u>184,551</u>	<u>165,635</u>	11%
NET ASSETS			
Invested in capital assets, net of related debt	25,555	21,826	17%
Restricted	20,671	22,919	-10%
Unrestricted	<u>14,807</u>	<u>4,370</u>	239%
TOTAL NET ASSETS	<u>\$ 61,033</u>	<u>\$ 49,115</u>	24%

*Certain reclassifications have been made to the summarized financial statements for the year 2005-06 to conform to the 2006-07 summarized financial statement presentation.

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

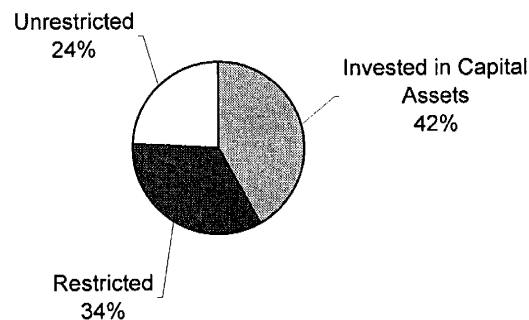
LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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

Net Assets
June 30, 2007



Restricted assets are assets that must be used to meet the goals and purposes of the Federal, State, local, or private agencies providing the assets.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Statement of Revenues, Expenses and Changes in Net Assets

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

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

While the distinction between operating and non-operating revenues is useful to managers for profit business enterprises, this distinction is not as important for managers of public sector community colleges. Therefore, to simplify the discussion, operating revenue, non-operating revenue and other revenues were combined in the following table:

	2007 <u>(in thousands)</u>	2006 <u>(in thousands)</u>	<u>Change</u>
Revenues			
Operating Revenues	68,932	61,536	12%
Non Operating Revenues	100,212	87,312	15%
Other Revenues	<u>16,922</u>	<u>14,011</u>	21%
	186,066	162,859	14%
Expense			
Operating Expenses	(167,621)	(152,470)	10%
Other Expenses	<u>(5,886)</u>	<u>(9,945)</u>	-41%
Total Expenses	(173,507)	(162,415)	7%
Change in Net Assets	<u>12,559</u>	<u>444</u>	2729%
Net Assets at beginning of year	49,115	48,435	1%
Adjustments for restatement (see Note 17)	<u>(641)</u>	<u>236</u>	-372%
Net Assets at beginning of year, restated	<u>48,474</u>	<u>48,671</u>	0%
Net Assets End of Year	<u>\$ 61,033</u>	<u>\$ 49,115</u>	24%

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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

	(in thousands) <u>2007</u>	(in thousands) <u>2006</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 8,188	\$ 7,681	7%
Grants and contracts, non-capital	53,704	47,247	14%
Auxiliary sales and charges	<u>7,040</u>	<u>6,608</u>	7%
Total operating revenues	<u>68,932</u>	<u>61,536</u>	12%
Operating Expenses			
Salaries and benefits	108,323	97,106	12%
Supplies, materials and other operating expenses and services including financial aid payments to students	31,222	25,978	20%
Financial aid	24,877	26,507	-6%
Depreciation	<u>3,199</u>	<u>2,879</u>	11%
Total operating expenses	<u>167,621</u>	<u>152,470</u>	10%
Operating loss	<u>(98,689)</u>	<u>(90,934)</u>	9%
Non-operating revenues			
State apportionments, non-capital	84,120	70,334	20%
Local property taxes	11,859	13,095	-9%
State taxes and other revenues	3,016	3,283	-8%
Investment income, net	1,018	450	126%
Transfer from fiduciary	<u>199</u>	<u>150</u>	33%
Total non-operating revenues	<u>100,212</u>	<u>87,312</u>	15%
Other revenues, (expenses), gains or (losses)			
State apportionments, capital	6,471	3,762	72%
Local property taxes and revenues, capital	5,780	7,243	-20%
Investment income, capital	4,671	3,006	55%
Interest expense	<u>(5,886)</u>	<u>(9,945)</u>	-41%
Total other revenues, (expenses), gains or (losses)	<u>11,036</u>	<u>4,066</u>	171%
Change in net assets	<u>12,559</u>	<u>444</u>	2729%
Net assets, beginning of year as previously reported	49,115	48,435	1%
Adjustment for restatement (see note 17)	<u>(641)</u>	<u>236</u>	-372%
Net assets, beginning of year as restated	<u>48,474</u>	<u>48,671</u>	0%
Net assets, end of year	<u>\$ 61,033</u>	<u>\$ 49,115</u>	24%

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

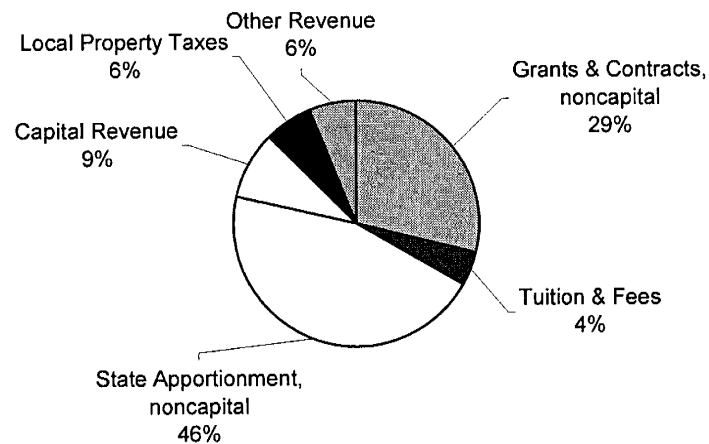
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Total revenues increased \$23.2 million while total expenditures increased only \$11.1 million. This yields a change in net assets of \$12.1 million. The beginning net assets were restated by a (\$641) thousand adjustment. This adjustment was caused by two offsetting adjustments: a \$1.07 million downward adjustment to recognize retention costs not accrued for the period when they were incurred and a \$425 thousand upward adjustment to recognize cash with fiscal agent for workers' compensation claims. The bottom line is that net assets increases 24% from \$49.1 million to \$61.0 million.

The following charts show the sources of revenue to the district. The largest source (46%) is state apportionment, which is derived from the state's funding formula for public community colleges.

Revenue 2006-07



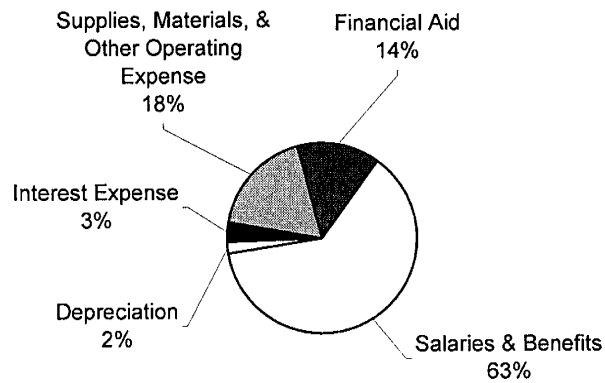
LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The following chart shows where the district's money goes. The largest category of expenses (62%) is for salaries and benefits. This reflects the college's reliance on faculty members and support staff to perform its educational mission.

Expenses 2006-07



LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into four parts: Cash Flows from Operating Activities, Cash Flows from Non-Capital Financing Activities, Cash Flows from Capital and Related Financing Activities, and Cash Flows from Investing Activities. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financial purposes. The third part shows cash flows from capital projects and related financing activities. This part deals with the cash used for the construction and improvement of capital facilities and related items. The fourth part provides information from investing activities and the amount of interest received.

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

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

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

Investing activities – The District invests debt service reserves related to its Certificates of Participation in Guaranteed Investment Contracts. Additional information on the District's investments can be found in the notes to the financial statements. See Note 2.B on page 19.

Restatement to cash balance – Prior year amounts have been restated to reflect corrections identified through the reconciliation of the Cash in County account and to include cash balances held with a fiscal agent in the General Fund for workers' compensation claims. See Note 17 to the financial statements on page 34 for more details.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The net change in cash, considering all sources and uses was \$1.3 million. This results in an end-of-the-year cash balance of \$89.2 million. As a matter of prudent financial management, the district maintains a positive cash position at all times.

A summarized comparison of the Statement of Cash Flows for 2005-06 and 2006-07 is presented below:

	(in thousands) <u>2007</u>	(in thousands) <u>2006</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (92,662)	\$ (89,192)	-4%
Non-capital financing activities	106,160	83,424	-27%
Capital and related financing activities	(14,548)	58,448	125%
Investing activities	<u>1,933</u>	<u>999</u>	-93%
Net increase in cash and cash equivalents	883	53,679	98%
Cash balance, beginning of year	87,876	34,197	-157%
Restatement to cash balance	<u>425</u>	<u>-</u>	100%
Cash balance, end of year	<u>\$ 89,184</u>	<u>\$ 87,876</u>	-1%

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

Capital Assets and Debt Administration

Capital Assets

At June 30, 2007, the District had \$129.1 million in a broad range of capital assets including land, buildings, equipment and construction in progress. During the year, the District continued to modernize various facilities throughout the District at a cost of \$33.6 million. At the end of the year capital assets were valued at \$129.1 million, which is a 31% increase. In accordance with GASB requirements, all assets, including land, is recorded at historical cost. Actual fair-market value of land is substantially higher than historical cost. This is due to the fact that land for the Liberal Arts Campus and the Pacific Coast Campus was acquired approximately seventy-five years ago and land values in Southern California have increased over time.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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

	(in thousands) Balance <u>June 30, 2007</u>	(in thousands) Balance <u>June 30, 2006</u>	<u>Change</u>
Land	\$ 10,728	\$ 10,728	0%
Site and Site Improvements	93,561	89,446	5%
Equipment	11,081	10,665	4%
Construction in Process	<u>55,398</u>	<u>26,610</u>	108%
Totals at historical cost	<u>170,768</u>	<u>137,449</u>	24%
Less accumulated depreciation for:			
Site and Site Improvements	32,270	29,663	9%
Equipment	<u>9,390</u>	<u>9,060</u>	4%
Total accumulated depreciation	<u>41,660</u>	<u>38,723</u>	8%
Governmental capital assets, net	<u>\$ 129,108</u>	<u>\$ 98,726</u>	31%

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Long-term Debt

At the end of this year, the District had \$164.1 million in long-term debt. During the 2006-07 fiscal year, long-term debt increased by \$12.2 million. \$16.1 million of the new long-term debt is for the lease / purchase of equipment and buildings for the Central Plants at each campus. There has been no change in the District's bond credit rating of AAA.

Notes 6 through 10 to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Balance</u> <u>6/30/2006*</u>	<u>Change</u>
Compensated absences	\$ 4,484	\$ 4,127	9%
Capital leases	1,371	1,826	-25%
Certificates of participation	33,875	34,300	-1%
Financing agreement	16,071	-	100%
General obligation bonds	107,058	110,291	-3%
Supplemental employee retirement plan	<u>1,285</u>	<u>1,348</u>	-5%
Total long term debt	164,144	151,892	8%
Total short term portion	<u>(8,895)</u>	<u>(7,402)</u>	20%
Total long term portion	<u>\$ 155,249</u>	<u>\$ 144,490</u>	7%

*Certain reclassifications have been made to the summarized financial statements for the year 2005-06 to conform to the 2006-07 summarized financial statement presentation.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Economic Factors Affecting the Future of Long Beach Community College District

The economic position of Long Beach Community College District is closely tied to the economic health of the State of California. State apportionments and other State revenue approximate 79% of the unrestricted resources in the District's Unrestricted General Fund.

The district has implemented an aggressive enrollment management plan, which is expected to increase student enrollment by 1% to 2% each year. The Enrollment Management Plan is based on the following strategic initiative:

1. Improved information systems
2. Revitalized curriculum and education programs
3. More efficient course scheduling
4. More supportive student services
5. Expanded student recruitment efforts with local high schools
6. Focused student retention and intervention
7. Targeted community marketing

Medical benefit insurance costs for retired employees are continuing an upward trend. Management is closely monitoring this trend and has shifted from a "pay-as-you-go" system to a system where an actuarially determined amount is set aside in the Retiree Health Fund. As of June 30, 2007, the Retiree Health Fund had a balance of \$6.6 million. The college has entered into the FUTRIS investment consortium, with professional portfolio managers, to assist us in maximizing our investment return on dollars in the Retiree Health Fund, while minimizing investment risk.

Future State funding for the District is characterized by volatility inherent in the state's economy. For fiscal year 2008-09 the Legislative Analyst's Office has projected a \$10 billion state budget deficit. Despite this State economic problem, the District remains cautiously optimistic that at a maximum, COLA and growth will be fully funded in fiscal year 2008-09 and beyond.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Ongoing construction projects will continue for the next several years. To fully fund the District's Facilities Master Plan, a \$440 million bond election will be held in February 2008. When the projects are completed, costs will be capitalized and net assets will increase. There will be some additional costs for the operation and maintenance of those new facilities.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District.

Contacting the District

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

BASIC FINANCIAL STATEMENTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 63,817,508
Accounts receivable, net	15,784,569
Due from Foundation	25,469
Stores inventories	1,093,713
Prepaid expenses	<u>2,022,174</u>
Total Current Assets	<u>82,743,433</u>
Non-current Assets:	
Restricted cash	25,366,562
Investments	8,365,531
Capital assets, net of accumulated depreciation	<u>129,108,291</u>
Total Non-current Assets	<u>162,840,384</u>
TOTAL ASSETS	<u>\$ 245,583,817</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 11,411,584
Due to fiduciary fund	141,237
Accrued liabilities	2,272,978
Deferred revenue	5,130,060
Amounts held in trust for others	19,123
Estimated claims liability	1,431,672
Compensated absences - current portion	2,245,589
Capital leases - current portion	477,778
Certificates of participation - current portion	450,000
Financing agreement - current portion	529,696
General obligation bonds payable - current portion	4,430,000
Supplemental employee retirement plan - current portion	<u>761,578</u>
Total Current Liabilities	<u>29,301,295</u>
Non-current Liabilities:	
Compensated absences	2,238,829
Capital leases	893,202
Certificates of participation	33,425,000
Financing Agreement	15,541,750
General obligation bonds payable	102,627,356
Supplemental employee retirement plan	<u>523,788</u>
Total Non-current Liabilities	<u>155,249,925</u>
TOTAL LIABILITIES	<u>184,551,220</u>
NET ASSETS	
Invested in capital assets, net of related debt	25,554,711
Restricted for:	
Capital projects	4,361,386
Debt service	13,593,274
Scholarships & loans	121,523
Other special services	2,594,413
Unrestricted	<u>14,807,290</u>
TOTAL NET ASSETS	<u>61,032,597</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 245,583,817</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

OPERATING REVENUES	
Tuition and fees (gross)	\$ 14,646,377
Less: Scholarship discounts and allowances	<u>(6,458,122)</u>
Net tuition and fees	8,188,255
Grants and contracts, non-capital:	
Federal	28,881,699
State	15,477,207
Local	9,345,469
Auxiliary enterprise sales and charges	<u>7,039,676</u>
TOTAL OPERATING REVENUES	<u>68,932,306</u>
OPERATING EXPENSES	
Salaries	80,579,528
Employee benefits	27,744,198
Supplies, materials, and other operating expenses and services	28,289,257
Financial aid	24,876,899
Utilities	2,932,884
Depreciation	<u>3,198,695</u>
TOTAL OPERATING EXPENSES	<u>167,621,461</u>
Operating loss	<u>(98,689,155)</u>
NON-OPERATING REVENUES	
State apportionments, non-capital	84,119,858
Local property taxes	11,858,893
State taxes and other revenues	3,016,014
Investment income - non-capital	1,018,137
Transfer from fiduciary fund	<u>199,000</u>
TOTAL NON-OPERATING REVENUES	<u>100,211,902</u>
Gain before other revenues, (expenses), gains or (losses)	<u>1,522,747</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	
State apportionments, capital	6,470,727
Local property taxes and revenues, capital	5,780,113
Investment income - capital	4,671,251
Interest expense on capital asset-related debt	<u>(5,886,393)</u>
TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	<u>11,035,698</u>
Increase in net assets	<u>12,558,445</u>
NET ASSETS, BEGINNING OF YEAR, as originally stated	49,114,919
Adjustment for restatement (see note 17)	<u>(640,767)</u>
NET ASSETS, BEGINNING OF YEAR, as restated	<u>48,474,152</u>
NET ASSETS, END OF YEAR	<u>\$ 61,032,597</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees (net)	\$ 6,765,492
Federal grants and contracts	28,600,996
State grants and contracts	17,783,497
Local grants and contracts	9,164,815
Enterprise sales and charges	6,925,597
Payments to suppliers	(27,763,533)
Payments to/on behalf of employees	(108,999,687)
Payments to/on behalf of students	(25,117,687)
Amounts paid in trust	<u>(21,657)</u>
Net cash used by operating activities	<u>(92,662,167)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	91,513,980
Property taxes	12,110,379
State tax and other revenues	2,336,981
Fiduciary fund transfers	<u>199,000</u>
Net cash provided by non-capital financing activities	<u>106,160,340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State apportionments for capital purposes	3,046,715
Local revenue for capital purposes	5,780,113
Interest on capital investments	4,761,449
Net purchases of capital assets	(33,581,008)
Proceeds from capital debt	16,071,446
Principal paid on capital debt	(4,794,763)
Interest paid on capital debt	<u>(5,832,145)</u>
Net cash used by capital and related financing activities	<u>(14,548,193)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	784,605
Net sales of investments	<u>1,148,066</u>
Net cash provided by investing activities	<u>1,932,671</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>882,651</u>
CASH BALANCE, Beginning of Year, as Originally Stated	87,876,029
Adjustment for restatement (see note 17)	<u>425,390</u>
CASH BALANCE, Beginning of Year, as Restated	<u>88,301,419</u>
CASH BALANCE, End of Year	<u>\$ 89,184,070</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

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

Operating loss	\$ (98,689,155)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	3,198,695
Changes in assets and liabilities:	
Receivables, net	(2,441,888)
Due from Foundation	12,151
Inventory	(121,347)
Prepaid expenses	(1,214,253)
Accounts payable and accrued liabilities	3,564,608
Deferred revenue	2,890,782
Due to fiduciary fund	(135,006)
Compensated absences	357,272
Amounts held in trust for others	(21,657)
Supplemental employee retirement plan	<u>(62,369)</u>
 Net cash used by operating activities	 <u>\$ (92,662,167)</u>
 Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 63,817,508
Restricted cash and cash equivalents	<u>25,366,562</u>
Total	<u>\$ 89,184,070</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	<u>Retiree Benefit Trust</u>	<u>Associated Student Body Fund</u>
ASSETS		
Cash and cash equivalents	\$ 1,008,699	\$ 2,530,520
Due from governmental funds	<u> </u>	<u>141,237</u>
TOTAL ASSETS	<u>\$ 1,008,699</u>	<u>\$ 2,671,757</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	\$ 743
Deferred revenue		141,337
Amounts held in trust	<u> </u>	<u>347,879</u>
TOTAL LIABILITIES	<u>-</u>	<u>489,959</u>
NET ASSETS		
Held in trust for other postemployment benefits	1,008,699	
Unrestricted	<u> </u>	<u>2,181,798</u>
TOTAL NET ASSETS	<u>1,008,699</u>	<u>2,181,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,008,699</u>	<u>\$ 2,671,757</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Fiscal Year Ended June 30, 2007

	<u>Retiree Benefit Trust</u>	<u>Associated Student Body Fund</u>
ADDITIONS		
Student representation fee	\$	\$ 948,733
Contributions	1,000,000	
Other local sources		78,776
Interest and investment income	<u>11,328</u>	<u>55,124</u>
TOTAL ADDITIONS	<u>1,011,328</u>	<u>1,082,633</u>
DEDUCTIONS		
Services and other operating expenses	2,629	735,381
Transfer to Auxiliary		<u>199,000</u>
TOTAL DEDUCTIONS	<u>2,629</u>	<u>934,381</u>
Increase in Net Assets	1,008,699	148,252
NET ASSETS AT BEGINNING OF YEAR	<u>-</u>	<u>2,033,546</u>
NET ASSETS, END OF YEAR	<u>\$ 1,008,699</u>	<u>\$ 2,181,798</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY:

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

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

A. REPORTING ENTITY: (continued)

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

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

Long Beach City College Auxiliary (The Auxiliary) – The Auxiliary is a separate not-for-profit corporation formed to promote and assist the educational program of the District. The Board of Directors are elected independent of any District Board of Trustee's appointments. The Board is responsible for approving their own budget and accounting and finance related activities; however, the District's governing board has fiscal responsibility over the Auxiliary. The activity of the Auxiliary has been blended in the District-wide financial statements and reported in the supplementary section of the report in the proprietary fund statements. Individually prepared financial statements are not prepared for the Long Beach City College Auxiliary.

Long Beach City College Associated Student Body (ASB) – The ASB is a separate not-for-profit corporation formed to promote and assist the educational program of the District. The Board of Directors are elected independent of any District Board of Trustee's appointments. The Board is responsible for approving their own budget and accounting and finance related activities; however, the District's governing board has fiscal responsibility over the ASB. The activity of the ASB is shown in the fiduciary financial statements and has also been reported in the supplementary section of the report in the fiduciary fund statements. Individually prepared financial statements are not prepared for the Long Beach City College ASB.

Long Beach Community College Financing Authority Corporation (The Corporation) – The Corporation is a legally separate organization formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Governing Board of the Corporation is the same as the Governing Board of the District. Within the supplementary information section of the report, the financial activity has either been "blended" with the activity of the District's in the COPS Debt Service Fund or has been reported as the COPS Capital Projects Fund as appropriate. Certificates of participation (COPS) issued by the Corporation are included as long-term liabilities in the basic financial statements. Individually prepared financial statements are not prepared for the Long Beach Community College Financing Authority Corporation.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

A. REPORTING ENTITY: (continued)

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

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

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

B. FINANCIAL STATEMENT PRESENTATION:

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING:

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

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

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

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. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

3. Due from Foundation

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

4. Stores Inventories

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

5. Prepaid Expenses

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

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts and amounts restricted for debt service payments on the general obligation bonds, certificates of participation and financing agreement.

7. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

7. Capital Assets (continued)

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

8. Accounts Payable

Accounts payable consists of amounts due to vendors and accrued interest payable of \$670,856 on bonded debt.

9. Accrued Liabilities

Accrued liabilities consist of salary and benefits payable.

10. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

11. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits and load banking are recognized as liabilities of the District as compensated absences in the Statement of Net Assets. The entire compensated absences liability is accrued when incurred in the government-wide and in the 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 retirement.

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

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

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

12. Net Assets

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

12. Net Assets (continued)

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

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

13. State Apportionments

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

Any prior year corrections due to the recalculation in February of 2008 will be recorded in the year computed by the State.

The District has recorded accounts receivable of approximately \$2.3 million related to the June deferred apportionment payment, net of property tax and enrollment fee revenue adjustments.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

14. Property Taxes

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

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

15. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all community college and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$845,700 for STRS.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

16. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

17. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

C. BASIS OF ACCOUNTING: (continued)

18. Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has established a policy for custodial risk. As of June 30, 2007, \$5,367,891 of the District's bank balance of \$5,967,891 was exposed to credit risk as follows:

Uninsured and uncollateralized	<u>\$5,367,891</u>
--------------------------------	--------------------

Cash in County Treasury

In accordance with Title 5 and the Budget and Accounting Manual, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2007, as provided by the pool sponsor, was \$71,520,761. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash in County Treasury (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes and other contributions. The District had Cash in the County Treasury amounting to \$165,688 on June 30, 2007, which represents withholdings payable.

B. Investments

California Government Code Sections 16430, 53601, and 53602 allows governmental entities to invest surplus moneys in certain eligible securities. In addition, the District's investment policy limits its investment choices to those allowed by California Government Code Section 53651. The District did not violate any provisions of the California Government Code during the 2006-07 fiscal year.

Investments with fiscal agent at June 30, 2007 held on behalf of the Long Beach Community College Financing Authority Corporation are presented below:

<u>Uncategorized Investments:</u>	<u>Maturities</u>	<u>Fair Value</u>
Guaranteed Investment Contracts (GIC)	10/1/2031	\$8,365,531

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2007 consists of the following:

Federal and State	\$11,198,320
Miscellaneous	3,848,527
From Students	<u>737,722</u>
	<u>\$15,784,569</u>

NOTE 4 – INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when an interfund transfer is transacted after the close of the fiscal year. Interfund activity within the governmental funds has been eliminated in the basic financial statements.

At June 30, 2007 the unrestricted general fund had an outstanding balance due to the Associated Student Body (ASB) fiduciary organization of \$141,237 for Summer 2007 college service card revenue.

A transfer of \$199,000 was received by the Auxiliary during 2006-07 from the Associated Student Body (ASB) fiduciary organization as a contribution for salaries related to ASB employees.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements/ Deletions	Balance June 30, 2007
Land	\$ 10,728,381	\$	\$	\$ 10,728,381
Site and site improvements	89,445,150	4,115,532		93,560,682
Equipment	10,664,991	677,067	261,213	11,080,845
Construction in progress	26,610,154	32,660,843	3,872,434	55,398,563
Total cost	<u>137,448,676</u>	<u>37,453,442</u>	<u>4,133,647</u>	<u>170,768,471</u>
Less accumulated depreciation for:				
Site and site improvements	29,662,861	2,607,218		32,270,079
Equipment	9,059,837	591,477	261,213	9,390,101
Total accumulated depreciation	<u>38,722,698</u>	<u>3,198,695</u>	<u>261,213</u>	<u>41,660,180</u>
Governmental capital assets, net	<u>\$ 98,725,978</u>	<u>\$ 34,254,747</u>	<u>\$ 3,872,434</u>	<u>\$ 129,108,291</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 6 - LEASES:

A. Capital Leases

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

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 477,778	\$ 58,537	\$ 536,315
2009	501,623	34,692	536,315
2010	<u>391,579</u>	<u>11,657</u>	<u>403,236</u>
Total	<u>\$ 1,370,980</u>	<u>\$ 104,886</u>	<u>\$ 1,475,866</u>

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

B. Operating Leases

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

Fiscal Year Ending June 30,	<u>Lease Payment</u>
2008	\$ 127,231
2009	<u>114,022</u>
Total	<u>\$ 241,253</u>

Current year expenditures for operating leases is approximately \$127,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 7 - CERTIFICATES OF PARTICIPATION:

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

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

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 450,000	\$ 1,224,119	\$ 1,674,119
2009	500,000	1,206,325	1,706,325
2010	525,000	1,187,391	1,712,391
2011	575,000	1,166,859	1,741,859
2012	625,000	1,144,503	1,769,503
2013-2017	3,925,000	5,321,016	9,246,016
2018-2022	5,825,000	4,424,941	10,249,941
2023-2027	8,575,000	3,104,097	11,679,097
2028-2032	12,875,000	1,135,834	14,010,834
Total	<u>\$ 33,875,000</u>	<u>\$ 19,915,085</u>	<u>\$ 53,790,085</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 – FINANCING AGREEMENT:

On January 29, 2007 the District entered into a loan agreement for \$16,071,446 with SunTrust Leasing Corporation to finance the construction of the Central Plants on the Liberal Arts and the Pacific Coast Campuses. The annual interest rate for the loan is 4.33%.

Annual loan payments outstanding as of June 30, 2007 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 529,696	\$ 679,623	\$ 1,209,319
2009	542,167	667,152	1,209,319
2010	565,897	643,422	1,209,319
2011	590,666	618,653	1,209,319
2012	616,519	592,800	1,209,319
2013-2017	3,511,767	2,534,828	6,046,595
2018-2022	4,350,578	1,696,017	6,046,595
2023-2027	<u>5,364,156</u>	<u>656,846</u>	<u>6,021,002</u>
Total	<u>\$ 16,071,446</u>	<u>\$ 8,089,341</u>	<u>\$ 24,160,787</u>

NOTE 9 - GENERAL OBLIGATION BONDS:

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 9 - GENERAL OBLIGATION BONDS: (continued)

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

The capital appreciation bonds were issued with maturity dates of May 1, 2014 through May 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2007, \$6,520,168 in accreted interest has been accrued and included in long-term debt.

\$5,519,550 in proceeds were deposited in the Revenue Bond Construction Fund. The balance of proceeds associated with the refunding were deposited in an escrow fund for future repayment. At June 30, 2007 the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$27,175,000. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$4,546,350. The present value of economic gain to the District amounted to approximately \$955,810. These savings resulted in a re-calculation of the collections and payments toward bond payoffs and are included in the consolidated schedule noted on the subsequent page.

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

Date of Issue	Interest Rate %	Original Maturity Dates (1)	Amount of Original Issue	Outstanding July 1, 2006	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2007
04/30/03 A	2.5-5.0%	5/1/2004 to 8/1/2027	\$ 40,000,000	\$ 7,675,000	\$	\$ 970,000	\$ 6,705,000
11/29/05 B	3.75-5.0%	5/1/2006 to 5/1/2030	65,000,000	63,200,000		2,115,000	61,085,000
11/29/05 C (2)	3.75-5.0%	5/1/2006 to 5/1/2017	28,224,898	28,074,898		300,000	27,774,898
			<u>\$ 133,224,898</u>	<u>\$ 98,949,898</u>	<u>\$ -</u>	<u>\$ 3,385,000</u>	<u>\$ 95,564,898</u>

⁽¹⁾Final maturity date on refunded portion:
Series A 5/1/2013

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 9 - GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2008	\$ 4,430,000	\$	\$ 4,023,932	\$ 8,453,932
2009	4,420,000		3,875,908	8,295,908
2010	5,080,000		3,707,533	8,787,533
2011	5,750,000		3,514,295	9,264,295
2012	6,380,000		3,286,420	9,666,420
2013-2017	20,779,898	12,715,102	13,677,750	47,172,750
2018-2022	13,300,000		10,961,750	24,261,750
2023-2027	19,695,000		7,033,250	26,728,250
2028-2030	15,730,000		1,609,750	17,339,750
Total Debt Service	95,564,898	<u>\$ 12,715,102</u>	<u>\$ 51,690,588</u>	<u>\$ 159,970,588</u>
Unamortized bond premium, net of costs(1)	5,929,814			
Unamortized bond deferred liability(2)	<u>(957,524)</u>			
Total	<u>\$ 100,537,188</u>			

(1) Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds issued in November, 2005 included a premium of \$8,227,031 and issuance costs of \$1,344,605. The net amount of \$5,929,814 is amortized using the straight-line method. Amortization of \$476,284 was recognized during the 2006-07 year.

(2) The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,048,716. Amortization of \$45,596 was recognized during the 2006-07 year.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 10 – LONG-TERM DEBT:

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

	Balance 6/30/2006*	Additions	Retirements	Balance June 30, 2007	Balance Due In One Year
Compensated absences	\$ 4,127,146	\$ 2,558,830	\$ 2,201,558	\$ 4,484,418	\$ 2,245,589
Capital leases	1,826,047		455,067	1,370,980	477,778
Certificates of participation	34,300,000		425,000	33,875,000	450,000
Financing Agreement	-	16,071,446		16,071,446	529,696
General obligation bonds:					
Bonds payable	98,949,898		3,385,000	95,564,898	4,430,000
Accreted interest	5,938,710	581,458		6,520,168	
Bond premium, net of issuance cost	6,406,098		476,284	5,929,814	
Deferred liability	(1,003,120)		(45,596)	(957,524)	
Supplemental employee retirement plan	1,347,735	872,980	935,349	1,285,366	761,578
	<u>\$ 151,892,514</u>	<u>\$ 20,084,714</u>	<u>\$ 7,832,662</u>	<u>\$ 164,144,566</u>	<u>\$ 8,894,641</u>

* Certain reclassifications have been made to the June 30, 2006 balance to conform to the 2006-07 financial statement presentation. Specifically, compensated absences has been classified as a non-current liability.

NOTE 11 – INTERNAL SERVICE ACTIVITY:

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

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Funding is provided by transfers from the General Fund. Claims paid within the member retained limit during 2006-07 totaled \$45,506.

Prior to July 1, 2003, the District was self-insured for risks of loss related to workers' compensation. Under this program, the District provided funding ranging from \$100,000 up to a maximum of \$350,000, based on the claim year, for each workers' compensation claim. The District purchased commercial insurance and/or participated in a JPA to provide coverage for claims above the self-insured retention level to the statutory limit of \$1M. Settled claims have not exceeded this additional coverage in any of the past three fiscal years.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 11 – INTERNAL SERVICE ACTIVITY: (continued)

Effective July 1, 2003, the District participates in a JPA that provides first-dollar coverage for risk of loss related to workers' compensation. The District continues to pay for run-off claims related to years prior to July 1, 2003. Run-off claims payment activity is reported in the District's General Fund. Run-off claims paid during 2006-07 totaled \$218,541.

Claims Liability

At June 30, 2007, the District accrued the worker's compensation claims liability for run-off claims in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of future liability is estimated at \$1,431,672.

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

NOTE 12 - EMPLOYEE RETIREMENT PLANS:

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

State Teachers' Retirement System (STRS)

Plan Description

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-07 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006-07 was 9.124% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 12 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

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

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2005	\$2,919,339	100%	\$2,234,240	100%
2006	3,195,802	100%	2,152,880	100%
2007	3,459,326	100%	2,439,705	100%

Alternative Retirement System (ARS)

Plan Description

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

Funding Policy

The District does not contribute any percentage based on the employee's gross earnings. An employee is required to contribute 7.5% of his or her gross earnings to the pension plan. Total contributions were made by the employees in the amount of \$480,565 during the fiscal year. The total amount of covered compensation was \$6,407,494. Contributions made by the employee vest immediately.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 13 – RETIREE HEALTH AND WELFARE BENEFITS:

The District provides employee health benefits coverage for eligible retirees and their families. Employees hired prior to February 1, 1995 who retire from District service are eligible for Option A or B. Employees hired after February 1, 1995 are eligible for Option B.

Option A:

An employee who retires from the District under PERS/STRS guidelines, after more than twelve/fifteen years of service for classified/academic qualifies for District-paid hospital-medical-benefits. Employees who retire under age 65 qualify for coverage up to age 67. Employees who retire after age 65 qualify for up to 4 years of coverage past retirement based on years of service.

Option B:

An employee, who retires from the District under PERS/STRS, after more than twelve/fifteen years of service for classified/academic qualifies for one year of District-paid hospital/medical benefits for every three/five years of full-time District service.

Benefits are paid by the Retiree Health Fund using a pay-as-you-go basis, and is funded by interfund transfers from the Unrestricted General Fund. At June 30, 2007, there were 132 retirees participating in the plan. The amount paid for benefits under Option A and Option B during the fiscal year ended June 30, 2007 was \$1,864,698. The estimated cost for 2007-08 is \$2,338,566.

NOTE 14 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

The District has four Supplemental Employee Retirement Plans for faculty and management/confidential employees. The accumulated future liability for the District at June 30, 2007 is \$1,285,366. A fifth plan has been added, effective August 1, 2007, see Note 19B.

2002-03 Supplemental Employee Retirement Plan:

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 14 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN: (continued)

2002-03 Supplemental Employee Retirement Plan: (continued)

A total of 13 faculty employees are participating. The District will pay benefits of \$173,771 annually over five years totaling \$868,885. The first payment was made during 2002-03 with the final payment made during 2006-07. There is no remaining liability in this plan.

2003-04 Supplemental Employee Retirement Plan:

In 2003-04, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees.

A total of 26 faculty and 11 management/confidential employees initially participated in the plan with 2 management/confidential employees being added in August 2004. A total of 39 employees are now participating in the plan. The total cost to the District is approximately \$3 million. The District will pay benefits of \$586,982 annually through 2007-08. The total remaining liability of \$586,982 has been reflected in these financial statements.

2005-06 Supplemental Employee Retirement Plan:

In 2005-06, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees; this plan became effective July 1, 2006.

A total of 8 faculty and 1 management/confidential employee are participating. The District will pay benefits of \$135,075 annually over five years totaling \$675,375. The first payment was made during 2006-07. The total remaining liability of \$540,300 has been reflected in these financial statements.

2006-07 Supplemental Employee Retirement Plan:

In 2006-07, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees.

One management/confidential employee is participating. The District will pay benefits of \$39,521 annually through 2010-11 totaling \$197,605. The total remaining liability of \$158,084 has been reflected in these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 15 - JOINT VENTURES (JOINT POWERS AGREEMENTS):

The District participates in four joint Powers Agreements (JPA) entities, the Schools Excess Liability Fund (SELF), the Statewide Association of Community Colleges (SWACC), Protective Insurance Program for Schools (PIPS), and the California Statewide Tax Authority (the Authority). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

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

SWACC provides liability and property insurance for approximately nineteen community colleges. SWACC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the Board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

PIPS provides workers' compensation insurance protection to its membership for public schools and community colleges throughout California.

The Authority purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through financing of property tax delinquencies. The Authority is a pass through entity and financial information is not available. For the fiscal year 2006-07, the District received local revenue in the amount of \$171,905 from the Authority.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

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

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

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

	SELF 6/30/2006 <u>(Audited)</u>	SWACC 6/30/2007 <u>(Audited)</u>	PIPS 6/30/2007 <u>(Audited)</u>
Total assets	\$219,228,961	\$ 35,927,403	\$ 76,862,028
Total liabilities	<u>191,182,670</u>	<u>18,039,163</u>	<u>55,617,284</u>
Net assets	<u>\$ 28,046,291</u>	<u>\$ 17,888,240</u>	<u>\$ 21,244,744</u>
Total revenues	\$ 66,347,032	\$ 9,834,727	\$ 48,979,901
Total expenditures	<u>41,523,839</u>	<u>4,110,902</u>	<u>33,691,917</u>
Change in net assets	<u>\$ 24,823,193</u>	<u>\$ 5,723,825</u>	<u>\$ 15,287,984</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 16 – FUNCTIONAL EXPENSES:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional	\$ 41,899,099	\$ 12,989,127	\$ 3,886,844	\$	\$	\$ 58,775,070
Academic Support	6,786,095	2,051,356	1,016,873			9,854,324
Student Services	11,312,875	3,453,685	1,238,562			16,005,122
Operation & Maintenance of Plant	4,585,884	1,400,015	2,947,236			8,933,135
Institutional Support	9,610,594	2,992,067	6,197,192			18,799,853
Community Services and Economic Development	2,844,807	868,485	3,502,437			7,215,729
Ancillary Services and Auxiliary Operations	3,446,487	1,088,159	6,219,360			10,754,006
Student Aid				24,876,899		24,876,899
Other Outgo	93,687	2,901,304	6,213,637			9,208,628
Depreciation Expense					3,198,695	3,198,695
Total	\$ 80,579,528	\$ 27,744,198	\$ 31,222,141	\$ 24,876,899	\$ 3,198,695	\$ 167,621,461

NOTE 17 – RESTATEMENT TO BEGINNING NET ASSETS:

The Revenue Bond Construction Fund beginning net assets was restated for (\$1,066,157) to recognize retention charges not accrued in the period in which costs were incurred.

The Unrestricted General Fund beginning net assets was restated for \$425,390 to recognize cash held with fiscal agent for workers' compensation claims.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Award and Grants

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 18 - COMMITMENTS AND CONTINGENCIES: (continued)

B. Purchase Commitments

As of June 30, 2007, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$149,000,000. Projects will be funded through bond proceeds and state funding for capital outlay projects.

C. Litigation

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

NOTE 19 - SUBSEQUENT EVENTS:

A. GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement will be effective for the District in fiscal year 2008-09. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement will also require that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

On January 24, 2006, the Board of Trustees approved the District's participation in the FUTURIS Public Entity Investment Trust. The Trust is an alternative for mitigating the unfunded liability required by GASB 45. As of June 30, 2007, the District contributed \$1,000,000 to the Trust. The Trust activity is reported in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 19 - SUBSEQUENT EVENTS: (continued)

B. 2006-07 Supplemental Employee Retirement Plan

In 2006-07, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and management/confidential employees, effective July 1, 2007.

A total of 21 faculty employees and 11 management/confidential are participating. The District will pay benefits of \$544,701 annually through 2011-12, beginning August 2007 for a total liability of \$2,723,505.

C. General Obligation Bonds

On August 28, 2007 the Board authorized the District to issue Series D general obligation bonds in the aggregate amount of \$70,999,987. The bonds are authorized by an election conducted within the district March 2002 under Proposition 39 and were issued on October 24, 2007. The bonds are issued in order to finance the construction, acquisition, furnishing and equipping of District facilities.

D. Legal Settlement

The District was involved in a legal action arising out of the ordinary course of business. In October 2007, the matter was settled at a cost of approximately \$749,000 to the District. This liability is not recorded in the financial statements as the ultimate disposition of this matter was not known as of June 30, 2007.

SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2007

Long Beach Community College District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 28,000 students at two distinct but highly inter-related campuses, the Liberal Arts Campus and the Pacific Coast Campus, and at numerous satellite locations. To serve its community, Long Beach Community College District offers a comprehensive set of education programs and support services in response to student and community needs and plays a key role in transfer preparation, workforce development, basic skills, associate degrees, English as a Second Language instruction, economic development, and lifelong learning.

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Douglas W. Otto	President	April 2008
Mr. Jeffrey A. Kellogg	Vice President	April 2010
Mr. Roberto Uranga	Member	April 2008
Dr. Thomas J. Clark	Member	April 2010
Mr. Mark J. Bowen	Member	April 2010
Mr. Reijo Rantamaula	Student Trustee	May 2008

ADMINISTRATION

Mr. Eloy O. Oakley	President and District Superintendent
Mr. Gene Farrell	Interim Executive Vice President/Assistant Superintendent, Administrative Services
Mr. Don Berz	Interim Vice President/Assistant Superintendent, Academic Affairs
Dr. Christopher Villa	Vice President/Assistant Superintendent, Student Support Services
Ms. Lou Anne Bynum	Vice President/Assistant Superintendent, Economic and Resource Development
Ms. Rose Del Gaudio	Vice President/Assistant Superintendent, Human Resources

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General Funds		Special Revenue Funds		
	General Unrestricted	General Restricted	Child and Adult Development	Contract / Community Education	Veteran's Stadium Operation
Assets					
Cash in county treasury	\$ 12,824,272	\$ 4,140,346	\$ 46,805	\$ 714,292	\$ 177,175
Cash on hand and in banks	764,085				
Cash with trustee	804,403				
Investments					
Accounts receivable:					
Federal and state governments	4,084,509	3,447,716			
Miscellaneous	1,277,891	355,105	5,464	84,090	95,399
Due from other funds	204,335				
Due from Foundation	19,919				
Prepaid expenditures	1,562,947			14,919	
Total Assets	\$ 21,542,361	\$ 7,943,167	\$ 52,269	\$ 813,301	\$ 272,574
Liabilities and Fund Balance					
Liabilities					
Accounts payable & accrued liabilities	\$ 3,632,774	\$ 1,603,248	\$ 2,143	\$ 9,150	\$ 37,934
Amounts held in trust for others	19,123				
Due to other funds	3,660,662	26,305		31,844	
Deferred revenue	618,103	3,719,201		9,350	7,100
Total Liabilities	7,930,662	5,348,754	2,143	50,344	45,034
Fund Balances					
Restricted		2,594,413			
Reserved for special purposes	1,612,947				
Designated for special purposes	9,783,878				
Undesignated	2,214,874		50,126	762,957	227,540
Total Fund Balances	13,611,699	2,594,413	50,126	762,957	227,540
Total Liabilities and Fund Balances	\$ 21,542,361	\$ 7,943,167	\$ 52,269	\$ 813,301	\$ 272,574

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	Debt Service Funds		Capital Project Funds			Total (Memorandum Only)
	Bond Interest and Redemption	COPS Debt Service	Capital Outlay Projects	Revenue Bond Construction	COPS Capital Projects	
Assets						
Cash in county treasury	\$ 2,459,137	\$ 2,836,727	\$ 1,756,030	\$ 43,562,663	\$ -	\$ 68,517,447
Cash on hand and in banks						764,085
Cash with trustee			15,700,094			16,504,497
Investments		8,365,531				8,365,531
Accounts receivable:						
Federal and state governments			4,082,830			11,615,055
Miscellaneous		53,562	97,337	960,121		2,928,969
Due from other funds			736,315			940,650
Due from Foundation			5,550			25,469
Prepaid expenditures				441,843		2,019,709
Total Assets	<u>\$ 2,459,137</u>	<u>\$ 11,255,820</u>	<u>\$ 22,378,156</u>	<u>\$ 44,964,627</u>	<u>\$ -</u>	<u>\$ 111,681,412</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable & accrued liabilities	\$ -	\$ -	\$ 1,540,370	\$ 5,843,519	\$ -	\$ 12,669,138
Amounts held in trust for others						19,123
Due to other funds						3,718,811
Deferred revenue			776,306			5,130,060
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,316,676</u>	<u>5,843,519</u>	<u>-</u>	<u>21,537,132</u>
Fund Balances						
Restricted	2,459,137	11,255,820				16,309,370
Reserved for special purposes				441,843		2,054,790
Designated for special purposes			15,700,094			25,483,972
Undesignated			4,361,386	38,679,265		46,296,148
Total Fund Balances	<u>2,459,137</u>	<u>11,255,820</u>	<u>20,061,480</u>	<u>39,121,108</u>	<u>-</u>	<u>90,144,280</u>
Total Liabilities and Fund Balances	<u>\$ 2,459,137</u>	<u>\$ 11,255,820</u>	<u>\$ 22,378,156</u>	<u>\$ 44,964,627</u>	<u>\$ -</u>	<u>\$ 111,681,412</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Funds		Special Revenue Funds		
	General Unrestricted	General Restricted	Child and Adult Development	Contract / Community Education	Veteran's Stadium Operation
Revenues					
Revenue limit sources:					
State apportionment	\$ 84,119,858	\$	\$	\$	\$
Federal sources	133,139	7,399,649	20,961		
Other state sources	4,153,849	10,940,454	100,577		
Other local sources	<u>23,341,032</u>	<u>2,345,897</u>	<u>343,790</u>	<u>583,730</u>	<u>956,373</u>
Total Revenues	<u>111,747,878</u>	<u>20,686,000</u>	<u>465,328</u>	<u>583,730</u>	<u>956,373</u>
Expenditures					
Academic salaries	45,190,280	3,258,046	52,490		
Classified salaries	22,462,234	6,557,581	699,545	127,458	400,059
Employee benefits	21,651,310	2,348,174	257,321	31,845	77,484
Books and supplies	1,022,652	1,678,433	49,576	5,104	26,278
Services and operating expenditures	9,250,985	4,301,978	7,516	235,618	215,829
Capital outlay	553,175	2,045,687	325	6,451	1,840
Student financial aid		527,099			
Debt service					
Total Expenditures	<u>100,130,636</u>	<u>20,716,998</u>	<u>1,066,773</u>	<u>406,476</u>	<u>721,490</u>
Excess (deficiency) of revenues over expenditures	<u>11,617,242</u>	<u>(30,998)</u>	<u>(601,445)</u>	<u>177,254</u>	<u>234,883</u>
Other Financing Sources (Uses)					
Financing agreement proceeds					
Interfund transfers in	530,208	1,163,086	622,800		
Interfund transfers out	<u>(5,048,753)</u>	<u>(483,309)</u>		<u>(46,899)</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>(4,518,545)</u>	<u>679,777</u>	<u>622,800</u>	<u>(46,899)</u>	<u>(100,000)</u>
Net change in fund balances	<u>7,098,697</u>	<u>648,779</u>	<u>21,355</u>	<u>130,355</u>	<u>134,883</u>
Fund Balances, beginning of year, as originally stated	6,087,612	1,945,634	28,771	632,602	92,657
Adjustments for restatement (See note 17)	425,390				
Fund Balances, beginning of year, as restated	<u>6,513,002</u>	<u>1,945,634</u>	<u>28,771</u>	<u>632,602</u>	<u>92,657</u>
Fund Balances, end of year	<u>\$ 13,611,699</u>	<u>\$ 2,594,413</u>	<u>\$ 50,126</u>	<u>\$ 762,957</u>	<u>\$ 227,540</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	Debt Service Funds		Capital Project Funds			Total (Memorandum Only)
	Bond Interest and Redemption	COPS Debt Service	Capital Outlay Projects	Revenue Bond Construction	COPS Capital Projects	
Revenues						
Revenue limit sources:						
State apportionment	\$	\$	\$	\$	\$	\$ 84,119,858
Federal sources						7,553,749
Other state sources	49,811		6,707,630			21,952,321
Other local sources	6,015,975	755,273	500,863	3,179,254		38,022,187
Total Revenues	<u>6,065,786</u>	<u>755,273</u>	<u>7,208,493</u>	<u>3,179,254</u>	<u>-</u>	<u>151,648,115</u>
Expenditures						
Academic salaries						48,500,816
Classified salaries				93,687		30,340,564
Employee benefits				36,606		24,402,740
Books and supplies				65,801		2,847,844
Services and operating expenditures		119,334	227,972	8,875,115	494	23,234,841
Capital outlay			7,695,908	23,013,019		33,316,405
Student financial aid						527,099
Debt service	7,508,072	1,634,110				9,142,182
Total Expenditures	<u>7,508,072</u>	<u>1,753,444</u>	<u>7,923,880</u>	<u>32,084,228</u>	<u>494</u>	<u>172,312,491</u>
Excess (deficiency) of revenues over expenditures	<u>(1,442,286)</u>	<u>(998,171)</u>	<u>(715,387)</u>	<u>(28,904,974)</u>	<u>(494)</u>	<u>(20,664,376)</u>
Other Financing Sources (Uses)						
Financing agreement proceeds			16,071,446			16,071,446
Interfund transfers in			836,315	2,200,000		5,352,409
Interfund transfers out				(2,200,000)		(7,878,961)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>16,907,761</u>	<u>-</u>	<u>-</u>	<u>13,544,894</u>
Net change in fund balances	<u>(1,442,286)</u>	<u>(998,171)</u>	<u>16,192,374</u>	<u>(28,904,974)</u>	<u>(494)</u>	<u>(7,119,482)</u>
Fund Balances, beginning of year, as originally stated	3,901,423	12,253,991	3,869,106	69,092,239	494	97,904,529
Adjustments for restatement (See note 17)				(1,066,157)		(640,767)
Fund Balances, beginning of year, as restated	<u>3,901,423</u>	<u>12,253,991</u>	<u>3,869,106</u>	<u>68,026,082</u>	<u>494</u>	<u>97,263,762</u>
Fund Balances, end of year	<u>\$ 2,459,137</u>	<u>\$ 11,255,820</u>	<u>\$ 20,061,480</u>	<u>\$ 39,121,108</u>	<u>\$ -</u>	<u>\$ 90,144,280</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - PROPRIETARY FUNDS

June 30, 2007

	Enterprise Fund	Internal Service Fund
	Auxiliary	Self Insurance
<u>Assets</u>		
Cash in county treasury	\$	\$ 46,471
Cash on hand and in banks	344,108	
Accounts receivable:		
Miscellaneous	272,730	146,232
Stores inventories	1,093,713	
Prepaid expenses	2,465	
Capital Assets, net	463,472	
Total Assets	\$ 2,176,488	\$ 192,703
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 174,149	\$
Due to other funds	15,691	128,843
Compensated absences	68,669	
Total Liabilities	258,509	128,843
Net Assets	1,917,979	63,860
Total Liabilities and Net Assets	\$ 2,176,488	\$ 192,703

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2007

	Enterprise Fund	Internal Service Fund
	Auxiliary	Self Insurance
Operating Revenues		
Sales revenues	\$ 7,039,676	\$
Other operating revenues	148,233	177,254
Total Operating Revenues	7,187,909	177,254
 Operating Expenditures		
Classified salaries	1,386,506	37,315
Employee benefits	483,254	14,739
Books and supplies	5,005,500	9,836
Services and other operating expenditures	393,417	865,745
Depreciation	94,211	
Total Operating Expenses	7,362,888	927,635
 Operating Loss	 (174,979)	 (750,381)
 Non-operating Revenues		
Interest income	11,183	3,451
Total Non-operating Revenues	11,183	3,451
 Net loss before operating transfers	 (163,796)	 (746,930)
 Operating Transfers from Other Funds		
Operating transfers in	199,000	576,900
Total Operating Transfers from Other Funds	199,000	576,900
 Change in net assets	35,204	(170,030)
 Net assets, beginning of year	 1,882,775	 233,890
 Net assets, end of year	 \$ 1,917,979	 \$ 63,860

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

BALANCE SHEET - FIDUCIARY FUNDS

June 30, 2007

	Associated Student Body	Student Financial Aid	Retiree Benefits	Total (Memorandum Only)
Assets				
Cash in county treasury	\$	\$ 230,258	\$ 2,775,447	\$ 3,005,705
Cash on hand and in banks	2,530,520		1,010,456	3,540,976
Accounts receivable:				
Federal and state governments		246,259		246,259
Miscellaneous			26,152	26,152
Due from other funds	141,237		2,783,110	2,924,347
Total Assets	<u>\$ 2,671,757</u>	<u>\$ 476,517</u>	<u>\$ 6,595,165</u>	<u>\$ 9,743,439</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	\$ 743	\$ 353,342	\$	\$ 354,085
Due to other funds		1,652		1,652
Deferred revenue	141,337			141,337
Amounts held in trust for others	347,879			347,879
Total Liabilities	<u>489,959</u>	<u>354,994</u>	<u>-</u>	<u>844,953</u>
Fund Balances				
Restricted for special purposes		121,523		121,523
Designated for special purposes			6,595,165	6,595,165
Undesignated	2,181,798			2,181,798
Total Fund Balances	<u>2,181,798</u>	<u>121,523</u>	<u>6,595,165</u>	<u>8,898,486</u>
Total Liabilities and Fund Balances	<u>\$ 2,671,757</u>	<u>\$ 476,517</u>	<u>\$ 6,595,165</u>	<u>\$ 9,743,439</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

For the Fiscal Year Ended June 30, 2007

	Associated Student Body	Student Financial Aid	Retiree Benefits	Total (Memorandum Only)
Revenues				
Federal sources	\$	\$ 21,253,221	\$	\$ 21,253,221
Other state sources		3,011,627		3,011,627
Other local sources	<u>1,082,633</u>	<u>-</u>	<u>2,837,353</u>	<u>3,919,986</u>
Total Revenues	<u>1,082,633</u>	<u>24,264,848</u>	<u>2,837,353</u>	<u>28,184,834</u>
Expenditures				
Employee benefits			1,864,698	1,864,698
Services and other operating expenditures	735,381		2,631	738,012
Student financial aid		<u>24,349,801</u>		<u>24,349,801</u>
Total Expenditures	<u>735,381</u>	<u>24,349,801</u>	<u>1,867,329</u>	<u>26,952,511</u>
Excess (deficiency) of revenues over expenditures	<u>347,252</u>	<u>(84,953)</u>	<u>970,024</u>	<u>1,232,323</u>
Other Financing Sources (Uses)				
Interfund transfers in		84,953	1,864,699	1,949,652
Interfund transfers out	<u>(199,000)</u>			<u>(199,000)</u>
Total Other Financing Sources (Uses)	<u>(199,000)</u>	<u>84,953</u>	<u>1,864,699</u>	<u>1,750,652</u>
Net change in fund balances	148,252	-	2,834,723	2,982,975
Fund balances, beginning of year	<u>2,033,546</u>	<u>121,523</u>	<u>3,760,442</u>	<u>5,915,511</u>
Fund balances, end of year	<u>\$ 2,181,798</u>	<u>\$ 121,523</u>	<u>\$ 6,595,165</u>	<u>\$ 8,898,486</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Student Financial Aid Cluster			
Department of Education			
Direct:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	n/a	\$ 742,195
Administrative Allowance - Campus Based Programs	84.000	n/a	92,670
Federal Work Study	84.033	n/a	635,173
Administrative Allowance - FWS	84.033	n/a	37,145
Pell	84.063	n/a	17,510,840
William D. Ford Direct Loan Program	84.268	n/a	2,465,323
Academic Competitiveness Grant	84.375	n/a	53,078
Subtotal Department of Education			<u>21,536,424</u>
Department of Health and Human Services			
Direct:			
Scholarship for Disadvantaged Nursing Students	93.364	n/a	206,303
Subtotal Department of Health and Human Services			<u>206,303</u>
Total Student Financial Aid Cluster			<u>21,742,727</u>
TRIO Cluster			
Department of Education			
Direct:			
Student Support Services-Project Launch	84.042A	n/a	278,915
Student Support Services-Disabled	84.042A	n/a	181,223
Upward Bound	84.047A	n/a	499,910
Total TRIO Cluster			<u>960,048</u>
Workforce Investment Act (WIA) Cluster			
Department of Labor			
Direct:			
Title I Workforce Investment Act, Construction Apprenticeship Program	17.258	n/a	402,127
Pass-Through Program from City of Long Beach :			
Workforce Investment Act, Healthcare Collaborative	17.258	(1)	269,769
Pass-Through Program from Chancellor's Office:			
Workforce Investment Act, Nursing Initiative Chancellor's Office	17.258	(1)	202,750
Subtotal Indirect Programs			<u>472,519</u>
Total Workforce Investment Act Cluster			<u>874,646</u>
Department of Agriculture			
Direct:			
Providing Latinos with Agriculture and Nursery Technology Success Project	10.223	n/a	100,155
Child Nutrition Program	10.558	n/a	20,961
Total Department of Agriculture			<u>121,116</u>
Department of Housing and Urban Development			
Direct:			
Hispanic Serving Institutions Assisting Communities (HUD)	14.514	n/a	111,070
Small Business Development Center			
Direct:			
Small Business Development Center (SBDC)	59.037	n/a	2,532,338

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Office of Emergency Services			
Pass-Through Program from the California Office of Emergency Services:			
Federal Emergency Management Assistance (FEMA)	83.544	(1)	<u>74,729</u>
Department of Education			
Direct:			
Title V: Strengthen Success and Transfer			
Latinos Excellence in Academic Program (LEAP)	84.031S	n/a	381,386
Project Management	84.031S	n/a	258,277
Strengthening Student Learning Outcome Success and Transfer	84.031S	n/a	240,186
Basic Skills	84.031S	n/a	124,752
Veteran's Education	84.065	n/a	<u>3,324</u>
Subtotal Direct Programs			<u>1,007,925</u>
Pass-Through Program from California Community College Chancellor's Office:			
VTEA Title IC	84.048	(1)	907,979
VTEA Tech Prep	84.243	(1)	<u>55,812</u>
Subtotal Pass-Through Program from California Community College Chancellor's Office			<u>963,791</u>
Total Department of Education			<u>1,971,716</u>
Department of Health and Human Services			
Pass-Through Program from California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	<u>237,827</u>
Corporation for National and Community Service (CNCS)			
Direct:			
Americorps National Service Awards	94.006	n/a	<u>255,482</u>
Total Federal Grants			<u>\$ 28,881,699</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Long Beach Community College District had the following loan balance outstanding as of 6/30/07:			
Perkins Program	84.038	n/a	<u>\$ 2,106,712</u>

Note: (1) Pass-through entity identifying number not readily available.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2007

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:						
Advance Transportation Technology Training	\$ 180,400	\$ 18,667	\$ 65	\$	\$ 199,067	\$ 199,067
Articulation Number System	5,000				4,935	4,935
Basic Skills	1,471,623		1,433,430		38,193	38,193
Block Grant - One-Time	1,403,705		918,602		485,103	485,103
Board of Governors Financial Assistant Program (BFAP)	894,005				894,005	894,005
CalWORKS	1,428,377	6,862			1,435,239	1,435,239
California High School Exit Exam Preparation Grant (CAHSEE)	200,000	88,405			288,405	288,405
Career Technical Equipment	676,900		225,114		451,786	451,786
Chancellor's Office Small Business Development Center (SBDC)	42,000	12,000			54,000	54,000
Click It or Ticket	7,697				7,697	7,697
Cooperative Agencies Resources for Education (CARE)	97,779			20,530	77,249	77,249
Center for Trade Development	164,000	46,873			210,873	210,873
Disabled Student Program and Services (DSPS)	1,544,367			75,359	1,469,008	1,469,008
DPSS Calworks Supplement	232,232	28,377			260,609	260,609
DPSS Career in Childcare	126,861	32,366			159,227	159,227
Enhancing Nursing		99,587			99,587	99,587
Extended Opportunities Program and Services (EOPS)	1,165,682	16,448		44,995	1,120,687	1,120,687
Early Start to Emancipation Preparation (ESTEP)	221,522		8,020		16,448	16,448
Fund for Instructional Improvement (FII) - Planetarium	101,105	41,868			213,502	213,502
Foster Care	251,200				142,973	142,973
Goods Movement	248,383				92,361	92,361
JDIF Health Administration			158,839		77,041	77,041
Independent Living Program (ILP)			171,342		20,643	20,643
Kinship Education Preparation Support (KEPS)	201	5,052			5,253	5,253
Lottery	714,397	368,253			716,172	716,172
Model Approach to Partnership in Parenting (MAPPP)		8,599			8,599	8,599
Matriculation - Credit	1,202,793				1,202,793	1,202,793
Matriculation - Non-Credit	240,291				240,291	240,291
SB-70 Architecture		7,188			7,188	7,188
SB-70 Transportation Log	261,116	309,235			570,351	570,351
Staff Development	85,063		64,866		20,197	20,197
Staff Diversity	55,851		31,465		24,386	24,386
Telecommunications and Technology Infrastructure Program (TTIP):						
TTIP Grant	167,200		141,017		26,183	26,183
TTIP - Library Automation	50,687		9,159		41,528	41,528
TTIP - Total Cost of Ownership (TCO)	70,506		11,631		58,875	58,875
Workplace Learning Resource	172,200	27,800			200,000	200,000
Total State Programs	\$ 13,483,143	\$ 1,138,223	\$ 3,540,028	\$ 140,884	\$ 10,940,454	\$ 10,940,454

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2007**

	Revised Annual - Factored		
	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2006 only)			
1. Noncredit ¹	214.34		214.34
2. Credit	1,975.83		1,975.83
B. Summer Intersession (Summer 2007 - Prior to July 1, 2007)			
1. Noncredit ¹	-		-
2. Credit	950.04		950.04
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,959.91		13,959.91
(b) Daily Census Contact Hours	2,533.94		2,533.94
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	1,006.41		1,006.41
(b) Credit	519.61		519.61
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	76.70		76.70
(b) Daily Census Contact Hours	31.23		31.23
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
D. Total FTES	21,268.01	-	21,268.01
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	532.69		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	850.41		
(b) Credit	1,434.07		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	616.63		
Centers FTES			
Noncredit	3,641.06		
Credit	727.74		

¹ Including Career Development and College Preparation (CDCP) FTES
N/A - Workload Measure is not applicable

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2007**

The audit resulted in four adjustments to the fund balances reported on the June 30, 2007 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Adjustments are as follows:

	<u>Unrestricted General Fund</u>	<u>Bond Revenue Construction Fund</u>
Annual Financial and Budget Report Fund Balance (CCFS-311)	\$ 15,759,912	\$ 37,901,586
Restatement, see note 17	<u>425,390</u>	
June 30, 2007 Fund Balance, before adjustments	<u>16,185,302</u>	<u>37,901,586</u>
Adjustments:		
Cash with fiscal agent	379,015	
(Overaccrual) of accounts receivable	(2,952,618)	
Underaccrual of prepaid expenses		441,843
Overaccrual of accounts payable		<u>777,679</u>
Net Adjustments	<u>(2,573,603)</u>	<u>1,219,522</u>
June 30, 2007 Audited Fund Balance	<u>\$ 13,611,699</u>	<u>\$ 39,121,108</u>

The financial data for Certificates of Participation, trustee fund activity reported in the COPs Debt Service and COPs Capital Projects Funds, trustee fund activity for financing agreements reported in the Capital Outlay Fund, activity of the Auxiliary (formerly Associated Student Body Enterprises), and activity of the Associated Student Body (ASB) are a component part of these financial statements that are not reported in the District's CCFS-311 series.

Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2008 (3)</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>GENERAL FUND (COMBINED):</u>								
<u>Revenue</u>								
Federal	\$ 5,982,880	4.5	\$ 7,532,788	6.0	\$ 5,449,441	4.9	\$ 3,334,737	3.3
State	103,167,550	78.0	99,214,161	78.5	82,276,238	73.9	73,438,434	71.7
County and Local	23,090,483	17.4	25,686,929	20.3	23,016,254	20.7	28,487,012	27.8
Other Financing Sources	<u>3,017,270</u>	<u>2.3</u>	<u>1,693,294</u>	<u>1.3</u>	<u>2,079,773</u>	<u>1.9</u>	<u>2,161,692</u>	<u>2.1</u>
Total Revenue	<u>135,258,183</u>	<u>102.2</u>	<u>134,127,172</u>	<u>106.1</u>	<u>112,821,706</u>	<u>101.4</u>	<u>107,421,875</u>	<u>104.9</u>
<u>Expenditures</u>								
Academic Salaries	49,787,834	37.6	48,448,326	38.3	44,857,168	40.3	40,987,881	40.1
Classified Salaries	31,070,731	23.5	29,019,815	23.0	25,523,700	22.9	24,814,358	24.2
Employee Benefits	25,717,763	19.4	23,999,484	19.0	21,318,724	19.2	20,299,778	19.8
Supplies and Materials	2,818,375	2.1	2,701,085	2.1	2,005,331	1.8	1,921,159	1.9
Other Operating Expenses and Services	14,475,171	11.0	13,552,963	10.7	9,843,222	8.9	8,416,842	8.2
Capital Outlay	4,103,379	3.1	2,598,862	2.1	1,688,157	1.5	1,750,333	1.7
Other Uses	<u>4,358,299</u>	<u>3.3</u>	<u>6,059,161</u>	<u>4.8</u>	<u>6,052,067</u>	<u>5.4</u>	<u>4,165,130</u>	<u>4.1</u>
Total Expenditures	<u>132,331,552</u>	<u>100.0</u>	<u>126,379,696</u>	<u>100.0</u>	<u>111,288,369</u>	<u>100.0</u>	<u>102,355,481</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ 2,926,631</u>	<u>2.2</u>	<u>\$ 7,747,476</u>	<u>6.1</u>	<u>\$ 1,533,337</u>	<u>1.4</u>	<u>\$ 5,066,394</u>	<u>4.9</u>
Restatement of Fund Balance	<u>\$ -</u>		<u>\$ 425,390</u>		<u>\$ -</u>		<u>\$ (1,471,240)</u>	
Ending Fund Balance	<u>\$ 19,132,743</u>	<u>14.5</u>	<u>\$ 16,206,112</u>	<u>12.8</u>	<u>\$ 8,033,246</u>	<u>7.2</u>	<u>\$ 6,499,909</u>	<u>6.4</u>
Available Reserve Balance (1)	<u>\$ 8,234,231</u>	<u>6.2</u>	<u>\$ 7,475,434</u>	<u>5.9</u>	<u>\$ 4,302,185</u>	<u>3.9</u>	<u>\$ 4,202,165</u>	<u>4.1</u>
Full-time Equivalent Students (2)	<u>21,632</u>		<u>21,268</u>		<u>18,806</u>		<u>20,923</u>	
Total Long-Term Debt	<u>\$ 230,560,317</u>		<u>\$ 164,144,566</u>		<u>\$ 148,768,488</u>		<u>\$ 74,467,970</u>	

IMPORTANT NOTES:

- (1) Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the unrestricted General Fund. The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum, with a prudent ending fund balance being 5% of expenditures.
- (2) Full-time equivalent students (FTES) represent credit and non-credit factored FTES and excludes FTES generated by non-residents.
- (3) The 2008 budget is the Plan and Budget adopted by the Board of Trustees on June 26, 2007.
- (4) All percentages are of total expenditures excluding contingencies.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

	General Fund (Combined)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 870,609	\$ 1,004,601	\$ 133,992
Temporary Assistance for Needy Families (TANF)	250,000	237,827	(12,173)
Veterans Education	-	3,324	3,324
Vocational and Technical Education Act	1,020,526	963,791	(56,735)
Other Federal Revenue	4,328,394	5,323,245	994,851
Revenue from State Sources			
General Apportionments	81,768,965	84,119,858	2,350,893
Categorical Apportionments	10,202,252	10,224,282	22,030
Other State Revenues	5,157,625	4,870,021	(287,604)
Revenue from Local Sources			
Property Taxes	14,904,436	12,110,379	(2,794,057)
Interest and Investment Income	400,000	883,472	483,472
Student Fees and Charges	7,509,058	8,188,255	679,197
Other Local Revenue	2,078,214	4,504,823	2,426,609
TOTAL REVENUES	<u>128,490,079</u>	<u>132,433,878</u>	<u>3,943,799</u>
EXPENDITURES			
Academic Salaries	48,748,912	48,448,326	300,586
Classified Salaries	26,722,013	29,019,815	(2,297,802)
Employee Benefits	23,194,308	23,999,484	(805,176)
Supplies and Materials	2,854,548	2,701,085	153,463
Other Operating Expenses & Services	13,499,470	13,552,963	(53,493)
Capital Outlay	3,082,838	2,598,862	483,976
TOTAL EXPENDITURES	<u>118,102,089</u>	<u>120,320,535</u>	<u>(2,218,446)</u>
Excess of revenues over expenditures	<u>10,387,990</u>	<u>12,113,343</u>	<u>1,725,353</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	1,393,343	1,693,294	299,951
Interfund Transfers Out	(5,299,977)	(5,532,062)	(232,085)
Student Financial Aid	(560,195)	(527,099)	33,096
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,466,829)</u>	<u>(4,365,867)</u>	<u>100,962</u>
Excess of revenues over expenditures and other sources (uses)	<u>\$ 5,921,161</u>	<u>7,747,476</u>	<u>\$ 1,826,315</u>
Fund Balances, beginning of year, as originally stated		8,033,246	
Adjustments for restatement (See note 17)		425,390	
Fund Balances, beginning of year, as restated		<u>8,458,636</u>	
Fund Balance at End of Year		<u>\$ 16,206,112</u>	

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2007**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Fund Financial Statements

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

B. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Long Beach Community College District for the year ended June 30, 2007 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedules of Expenditures of Federal Awards and State Financial Assistance were prepared for the Long Beach Community College District on the accrual basis of accounting.

C. Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the Long Beach Community College District's annual source of funding.

D. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of applicable funds as reported on the Form CCFS-311.

E. Schedule of Financial Trends and Analysis

This report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Schedule of Budgetary Comparison for the General Fund

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund. This schedule presents the adopted General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations for the combined General Fund, by major object accounts, occurred in the following expenditure classifications:

Classified Salaries	\$2,297,802
Employee Benefits	805,176
Other Operating Expenses and Services	53,493
Interfund Transfers Out	232,085



**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**

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

We have audited the basic financial statements of Long Beach Community College District (the District) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Long Beach Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, for items 07-1, 07-2 and 07-3, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 07-4 and 07-5.

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

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

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

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

December 14, 2007



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

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

Compliance

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

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 07-5.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-5 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs is not considered to be a material weakness.

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

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

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


VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007



REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of Long Beach Community College District, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007.

Our examination was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the California Department of Finance's 2007 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to the Long Beach Community College District is to determine with reasonable assurance:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment.
- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California residents is claimed for apportionment purposes.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.

REPORT ON STATE COMPLIANCE

- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$3,857,806.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District has adopted regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations and has published statements of those regulations in the College catalog.
- Whether the District has adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.

In our opinion, except for finding 07-4 as described in the accompanying schedule of findings and questioned costs, Long Beach Community College District complied with the compliance requirements for the state programs listed on the previous pages and tested. Nothing came to our attention as a result of the aforementioned procedures to indicate that Long Beach Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

REPORT ON STATE COMPLIANCE

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

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

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


VICENTI, LLOYD & STUTZMAN LLP

December 14, 2007

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

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? X Yes None reported

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

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

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258	Workforce Investment Act (WIA) Cluster of Programs
59.037	Small Business and Development Center (SBDC)
84.000, 84.007, 84.033, 84.063, 84.268, 84.375 and 93.364	Student Financial Assistance Cluster of Programs
84.042A and 84.047A	TRIO Cluster of Programs

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 866,450

Auditee qualified as low-risk auditee? X Yes No

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2007

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

FINDING 07-1 – INTERNAL CONTROL – AUDIT ADJUSTMENTS

Finding: Statement on Auditing Standards No. 112 states that “controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements are deficiencies that ordinarily are at least significant deficiencies in internal control.” Generally, controls that are relevant to an audit of financial statements are those that pertain to the District's objective of reliable financial reporting. Of significant importance are the controls over the entries made in conjunction with the District's closing procedures. Closing procedures require review to ensure that the accounting and reporting are accurate and in accordance with applicable standards.

The following errors were noted during the audit that resulted in audit adjustments:

- General Fund – cash understated (\$379,015)
- Bond Building Fund – over accrual accounts payable (\$777,679)
- Bond Building Fund – under accrual prepaid expense (\$441,843)

An adequate review process could have prevented or detected these errors in a timely manner. Considering the magnitude of the above adjustments, a material weakness exists as the control deficiency effected the District's ability to prevent or detect material misstatements.

Questioned Costs: Not applicable

Recommendation: Have management review the closing procedures currently in place to determine additional safeguards that could be implemented to strengthen the internal control.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-1 – INTERNAL CONTROL – AUDIT ADJUSTMENTS
(continued)

District Response: The District's corrective action plan has two components: staff training and internal review. The District will immediately begin a training program for all staff members of the Fiscal Services Department. The training program will cover:

1. The purpose of the year-end closing process
2. The components of the year-end closing process including:
 - a. Closing out purchase orders
 - b. Accrual entries for payables
 - c. Accrual entries for receivables
 - d. Reconciling cash with fiscal agent and clearing accounts
 - e. Booking prepaid expenses
 - f. Validation of construction retention amounts
3. Staff level assignment of responsibilities for the items listed above, along with timelines
4. An assessment/evaluation tool to verify that each staff member has a clear conceptual understanding and the skills to meet the responsibilities of their assignment.

To minimize errors in the year-end closing entries the District will use a dual review system, where entries will initially be reviewed by the responsible manager/supervisor. A second level review will be conducted by a higher level administrator, either the Deputy Director or the Director of the Fiscal Services Department. Each review will focus on materiality and random sampling.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-2 – INTERNAL CONTROL: CASH – ASSOCIATED STUDENT BODY
(ASB) AND AUXILIARY

Original Finding: 05-5

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

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

Questioned Costs: Not applicable

Recommendation:

- i. Remove the key for the cash register and store it in a safe location while not in use. This will prevent unauthorized individuals from gaining access to the cash register.
- ii. Implement procedures to maintain individual accountability.

District Response:

- i. ASB employees have been instructed to keep the drawer locked to prevent theft or misuse when not in use.
- ii. We currently don't have a problem with this, but recognize the potential for problems. The current layout of the bookstore does not allow money turned in by bookstore cashiers to be verified in dual custody.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-3 – INTERNAL CONTROL:
AUXILIARY SEGREGATION OF DUTIES

Finding: Based on responses to the internal control questionnaires, the following observations are made related to segregation of duties as one employee, the Payroll Clerk, has primary responsibility for the below suggested controls.

Segregation of Duties related to Payroll:

To the maximum extent possible, separate individuals should be responsible for:

- Maintaining personnel files
- Entering employees in the computer system
- Making rate changes in the computer system
- Verifying time sheets, cards, etc.
- Preparing payroll journal/checks
- Distributing checks

The Payroll Clerk has a concentration of key responsibilities such as inputting new employees, inputting time cards and distributing checks, which provides an opportunity for unauthorized transactions to occur. Additionally, with the Payroll Clerk inputting rate changes, procedures should be in place to ensure that rate changes made in the payroll system are reviewed after input to ensure accuracy and propriety. Inaccurate or unauthorized pay changes could occur and not be identified.

Segregation of Duties Related to Payroll Cash Account:

To the maximum extent possible, separate individuals should be responsible for:

- Opening mail
- Preparing list of remittances
- Preparing deposits
- Taking deposits to bank
- Comparing remittance lists with bank deposits
- Maintaining cash receipts journals
- Preparing checks
- Approving disbursements
- Reconciling bank accounts
- Maintaining cash disbursement journal

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-3 – INTERNAL CONTROL:
AUXILIARY SEGREGATION OF DUTIES
(continued)

Finding: (continued)

Segregation of Duties Related to Payroll Cash Account: (continued)

Our review of segregation of duties identified that the Payroll Clerk position has responsibility to perform the functions listed above for the Payroll Cash bank account. The combination of transaction authorization, record keeping, and custody responsibilities increases the inherent limitation to the effectiveness of internal control. Unauthorized withdrawals or transfers could be made and journal entries prepared to conceal the transaction.

Segregation of Duties Related to Journal Entries:

Review and approval procedures should be in place for all journal entries to ensure journal entries posted are accurate and appropriate. Our review noted that journal entries prepared by the Payroll Clerk are not reviewed or approved prior to input. In addition, month end journal entry logs are printed out; however, there is no evidence of review by the Assistant Director.

Questioned Costs: Not applicable

Recommendation: We recommend that management review the procedures noted above to determine additional safeguards that could be implemented to strengthen the internal control. Deficiencies in internal control, individually or in combination with other control deficiencies, represent opportunities for misappropriation of District funds. Management is responsible to continuously assess the risk that internal controls are no longer effective and to revise procedures and job responsibilities as needed.

District Response: During 2007-08, we have moved to a web based payroll system from a PC based system and reassigned duties. The Payroll Clerk inputs personnel data into the ADP database and the Administrative Facilitator inputs timecards and prepares payroll checks. The Assistant Director oversees both tasks and distributes payroll checks. These duties will rotate every 6 months. All pay rates can be verified by documentation in our personnel file. The responsible supervisor verifies and approves the hours worked via the web. The Assistant Director reviews all payroll journal entries during the closing process. Personnel expenses are also compared to our budget each month during our Board of Directors meeting. The Director of Bookstore and Food Services receive a monthly payroll by department report that matches the journal entries, payroll distribution report and payroll cash account.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2007

FINDING 07-4 – STATE COMPLIANCE: CONCURRENT ENROLLMENT

Finding: Procedures should be in place to adequately calculate and monitor compliance with the concurrent enrollment ten percent and five percent rules. Per Education Code Section 76002(a)(4), the district shall not receive State apportionment for special part-time and full-time students enrolled in physical education courses as defined below:

- Five Percent Rule – courses where the ratio of special part-time and full-time students is in excess of five percent of the district’s total reported FTES (Full Time Equivalent Students) of special part-time and full-time students
- Ten Percent Rule – courses where the ratio of special part-time and full-time students exceeds ten percent of total enrollment in each course section

Our testing noted that monitoring procedures are not in place over concurrent enrollment. Based upon the reports provided, we determined the District complied with questioned percentages in regards to the five percent rule; however, we identified one physical education course section with enrollment of special part-time and full-time students in excess of ten percent of total enrollment. The non-compliance course is as follows:

<u>Term</u>	<u>Course ID</u>	<u>Course #</u>	<u>Course Name</u>	<u>Percentage</u>
Sum 06	PEG 83AD	50351	Tennis	25%

Course sections in excess of ten percent are an indication of non-compliance and overstated the FTES claimed on the CCFS-320 report by .38 FTES. Although the District is not required to adjust for FTES less than one, continued lack of monitoring procedures could subject the District to future non-compliance and misstatement of FTES that could result in an adjustment to the CCFS-320.

Questioned Cost: \$1,659

Recommendation: Develop procedures to monitor and exclude from the CCFS-320 report the FTES generated as of census date for physical education courses in excess of the ten percent and five percent maximum. No revisions to the CCFS-320 for the 2006-07 fiscal year are necessary as the non-compliance is less than one FTES.

District Response: The District is developing a procedure that would exclude any special part-time physical education students’ FTES from the CCFS-320 report that exceed the limits. Furthermore we will attempt to limit enrollment at the time of registration to adhere to the limitations.

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

FINDING 07-5 – FEDERAL COMPLIANCE:
FEDERAL WORK STUDY – PAYROLL DOCUMENTATION

Federal Program: Federal Work Study
Federal Catalog Number: 84.033
Compliance Requirement: N. Special Tests and Provisions
Award Amount: \$635,173

Original Finding: 05-6

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

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

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

District Response: At this time, procedures are in place requiring the supervisors of federal work study students to sign each student's time card. Time cards will be audited periodically to make sure that compliance continues.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-1	<p><u>STATE COMPLIANCE – MATERIAL FEES</u></p> <p>Original Finding 05-3</p> <p>The California Code of Regulations defines “required instructional and other materials” as “any instructional or other materials which a student must procure or possess as a condition of registration, enrollment or entry into a class, or any such material which is necessary to achieve those required objectives of a course which are to be accomplished under the supervision of an instructor during class hours”. Compliance testing included a step to ensure that students are not charged more than the District’s actual cost of the materials. We noted one course, Computer Applications and Office Technologies (CAOTC 246), where the fee charged exceeded the cost of materials by \$5.</p>	<p>The District should review all materials fees charged to determine if they meet the criteria of: a) have continuing value to the students outside the classroom setting; or b) are tangible personal property that is owned or primarily controlled by the student. Fees charged for classes that do not meet the criteria should not be imposed. In addition, the District should monitor the cost of materials provided to ensure the fee charged does not exceed the District’s cost. Documentation supporting the items to be provided and the estimated per item cost of those materials must be maintained and available for audit.</p>	Implemented.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 June 30, 2007

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-2	<p><u>INFORMATION SYSTEM –INTERNAL CONTROL</u></p> <p>Original Finding 05-4</p> <p>An assessment of internal controls related to the District's information systems was done. The following areas were identified as internal control weaknesses:</p>	<p>i. Implement a written disaster recovery plan and review and update the plan at least annually.</p>	<p>Implemented.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 June 30, 2007

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-2	<p><u>INFORMATION SYSTEM –INTERNAL CONTROL</u> (continued)</p> <p>Original Finding 05-4</p> <p>ii. <u>Backup and Recovery Capabilities:</u> Backup and recovery capabilities should be tested for reliability. Although the District has not developed a formalized disaster recovery plan, the district has instituted procedures for such items as backup. However, the District has not tested their backup and recovery capabilities. These procedures should be incorporated into the formal Disaster Recovery Plan referenced in item i.</p> <p>iii. <u>Information Technology Strategic Plan:</u> The Information Technology Strategic Plan should be updated annually. Currently the District has an Information Technology Strategic Plan; however, it has not been updated. An Information Technology Strategic Plan not only provides direction for the needs of the District but also helps to prioritize projects and new products. Although District administration have been working towards developing a relevant plan, that plan is not currently in place.</p>	<p>ii. Plan a test of recovery capabilities and document the results of this test for use in implementation of the disaster recovery plan.</p> <p>iii. Complete and publish a three-year strategic plan. Prioritize the plans projects, allocate resources, and updated the plan annually.</p>	<p>Implemented.</p> <p>Implemented.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007**

Finding No.	Finding	Recommendation	Current Status
06-3	<p><u>INTERNAL CONTROL – ASSOCIATED STUDENT BODY (ASB) AND ASSOCIATED STUDENT BODY ENTERPRISES (ASBE)</u></p> <p>Original Finding 05-5</p> <p>The following observations were noted in our review of ASB and ASBE procedures and controls:</p>		
	<p>i. Safeguarding of Cash (ASB) - Cash drawers used by the ASB should be adequately safeguarded and individual accountability should be maintained. Currently, the cash register used in the ASB office is used by the two ASB employees. When not in use, the drawer is not kept locked to prevent theft or misuse. In the event of a shortage, it would be difficult to determine who is responsible for the shortage.</p>	<p>i. The key for the cash register should be removed and stored in a safe location while not in use. This will prevent unauthorized individuals from gaining access to the cash register.</p>	<p>Not implemented. See current year finding 07-2.</p>
	<p>ii. Safeguarding of Cash (ASBE) - Money turned in by bookstore cashiers should be verified in dual custody. In the event of a large variance it would be difficult to determine who is responsible for the shortage.</p>	<p>iii. Implement procedures to maintain individual accountability.</p>	<p>Not implemented. See current year finding 07-2.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-4	<p><u>ASSOCIATED STUDENT BODY ENTERPRISES (ASBE) – ARTICLES OF INCORPORATION</u></p> <p>Tax exempt status should be obtained from the State of California (the State). During the preparation of the ASBE's 2005 Federal informational tax return (Form 990), it was brought to our attention that the organization has not obtained an exemption letter from the State. Additionally, a letter from the State, dated February 10, 2006, has been received indicating their records do not show they have granted the organization exemption from tax. The ASBE was formed in 1968 and a determination letter from the Internal Revenue Service was obtained; however, management assumes that the application for exemption with the State has not been filed. At this time, current management is questioning the exempt status of the ASB & ASBE. Legal counsel has been consulted in regards to this area and a recommendation letter, dated June 14, 2006, was issued. A nonprofit organization is not exempt from tax until the organization files an application and the State issues a letter granting exemption. Considering the organization's current status and when it was formed, a potentially significant liability exists for taxes payable and penalties.</p>	<p>Continue consultation with legal council to resolve the exempt status of the organization. Regardless, the organization should file the exemption application.</p>	<p>Implemented.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-5	<p><u>ASSOCIATED STUDENT BODY ENTERPRISES (ASBE) – INTERNAL CONTROL OVER FIXED ASSETS</u></p> <p>Recommended improvements to the internal control over fixed assets include:</p> <ul style="list-style-type: none"> • Requiring an approval from the formal governing board for disposal of fixed assets or the donation of fixed assets. • Establishing written policies that permit the accounting department personnel to: <ul style="list-style-type: none"> ○ Distinguish between capital items and repairs and maintenance expenses. ○ Determine a cutoff amount below which items are expensed. ○ Establish depreciable life. ○ Determine the fair value of contributed property and equipment and collections. • Properly identify equipment by numbered tags or other means of identification. • Periodically perform a physical inventory of property and compare equipment purchased with the General Ledger. <p>Based on responses to the internal control questionnaire, procedures are not in place for any of the above suggested controls. Weaknesses in internal controls represent opportunities for misappropriation of the organization's assets and for misstatement of financial records.</p>	<p>Review procedures related to fixed assets to determine additional safeguards that should be implemented to strengthen the internal control and to ensure the value of fixed assets reported on the financial statements is fairly stated.</p>	<p>Implemented.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 June 30, 2007

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
06-6	<p><u>FEDERAL WORK STUDY - PAYROLL DOCUMENTATION</u></p> <p>Federal Program: Federal Work Study Federal Catalog Number: 84.033</p> <p>Original Finding 05-6</p> <p>Time cards for Federal Work Study (FWS) students should be signed by the employee and their immediate supervisor. A review of a sample of student time cards indicated that signatures were not present and supervisors' signatures were inconsistent from department to department. District policy acknowledges the Time and Reporting System (TARS) electronic authorization as the official record, however, the District's policy does not address the issue of signatures on Federal Work Study time cards. The policy does require that time cards are maintained. The Federal Student Financial Aid Handbook requires that certification must be signed by the student's supervisor, an official of the school or off-campus agency as appropriate. A memo was sent to FWS Supervisors in April 2006 regarding timekeeping requirements. Our review of time cards for the months of May and June 2006 determined that new procedures had not been fully implemented.</p>	<p>Continue with implementation of new procedures related to FWS timekeeping requirements and ensure all departments are complying with the requirements.</p>	<p>Not implemented. See current year finding 07-5.</p>

CONTINUING DISCLOSURE INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2007

Assessed valuation for fiscal year 2006-07	\$ 41,462,531,826	(2)
Secured tax levies for fiscal year 2006-07	\$ 8,857,514	(1)
Secured tax delinquencies for fiscal year 2006-07	\$ 633,042	(1)
Secured tax collections for fiscal year 2006-07	\$ 8,224,472	(1)

2006-07 Largest Local Secured Taxpayers

<u>Property Owner</u>	<u>Land Use</u>	<u>2006-07 Assessed Valuation</u>	<u>% of Total</u>
1. The Boeing Company	Industrial	\$ 407,582,292	0.98%
2. Macerich Lakewood LLC	Shopping Center	326,935,824	0.79
3. AES Alamitos LLC	Power Plant	267,600,000	0.65
4. Camden Realty Inc.	Apartments	137,302,375	0.33
5. Greit One World Trade Center LP	Office Building	118,239,378	0.29
6. Trizechahn Colony Square GP LLC	Office Building	87,005,818	0.21
7. GRE Shoreline Square LP	Office Building	84,048,000	0.20
8. City Place Long Beach LLC	Shopping Center	73,067,852	0.18
9. 1900 Ocean Partners Holdings LLC	Apartments	71,887,300	0.17
10. 350 Ocean Garage I & II LLC	Condominiums	70,589,210	0.17
11. Arco Terminal Services Corp.	Industrial	63,639,205	0.15
12. 200 Oceangate LLC	Office Building	62,400,000	0.15
13. Sunstone Ocean LLC	Hotel	56,240,000	0.14
14. HEI Long Beach LLC	Hotel	54,957,600	0.13
15. Alamitos Bay Partnership	Hotel	53,229,299	0.13
16. Danari Broadway & Ocean LLC	Office Building	50,473,432	0.12
17. Essex Portfolio LP	Apartments	50,431,286	0.12
18. ASN City Place LLC	Commercial	46,401,747	0.11
19. California Drive In Theatres Inc.	Commercial	45,170,595	0.11
20. Pacific Castle	Shopping Center	44,217,000	0.11
		<u>\$ 2,171,418,213</u>	5.24%

2006-07 Local Secured Assessed Valuation: \$41,462,531,826

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

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