

LONG BEACH COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

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

June 30, 2013



**LONG BEACH
CITY COLLEGE**

LONG BEACH COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2013

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-xx
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position.....	1
Statement of Revenues, Expenses and Changes in Net Position	2
Statement of Cash Flows.....	3-4
Statement of Fiduciary Net Position	5
Statement of Changes in Fiduciary Net Position	6
Statement of Other Postemployment Benefits Plan Net Position	7
Statement of Changes in Other Postemployment Benefits Plan Net Position	8
NOTES TO FINANCIAL STATEMENTS	9-45
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Postemployment Healthcare Benefits Funding Progress	46
Schedule of Employer Contributions	47
Notes to Required Supplementary Information	48
SUPPLEMENTARY INFORMATION:	
History and Organization	49
Schedule of Expenditures of Federal Awards	50-51
Schedule of State Financial Assistance - Grants.....	52
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	53
Reconciliation of Annual Financial and Budget Report with the Audited Fund Balances	54
Reconciliation of 50 Percent Law Calculation.....	55-56
Proposition 30 Education Protection Account Expenditure Report.....	57
Schedule of Financial Trends and Analysis	58
Schedule of Budgetary Comparison for the Combined General Fund	59
Notes to Supplementary Information	60-61

LONG BEACH COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2013

CONTENTS

	<u>Page</u>
OTHER INDEPENDENT AUDITOR’S REPORTS:	
Independent Auditor’s 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	62-63
Independent Auditor’s Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by OMB Circular A-133	64-66
Independent Auditor’s Report on State Compliance	67-69
FINDINGS AND QUESTIONED COSTS:	
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	70
Schedule of Findings and Questioned Costs Related to Financial Statements	71
Schedule of Findings and Questioned Costs Related to Federal Awards	72
Schedule of Findings and Questioned Costs Related to State Awards	73-75
Status of Prior Year Findings and Questioned Costs	76-79
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)	80



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Long Beach Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Trustees
Long Beach Community College District

Opinion

In our opinion, the 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, 2013, and the results of its operations, changes in net position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 18 to the basic financial statements, in 2013 the Long Beach Community College District adopted new accounting guidance, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

The Board of Trustees
Long Beach Community College District

Other Matters (continued)

Other Information


Our audit was conducted for the purpose of forming an opinion on the Long Beach Community College District financial statements as a whole. The supplementary schedules, and the 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 financial statements of Long Beach Community College District.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the Long Beach Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Long Beach Community College District's internal control over financial reporting and compliance.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 20, 2013

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013. 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 25,000 students at two campuses, the Liberal Arts Campus and the Pacific Coast Campus, and at various 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, 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. Under the BTA model state and local taxes and investment income are classified as non-operating revenues.

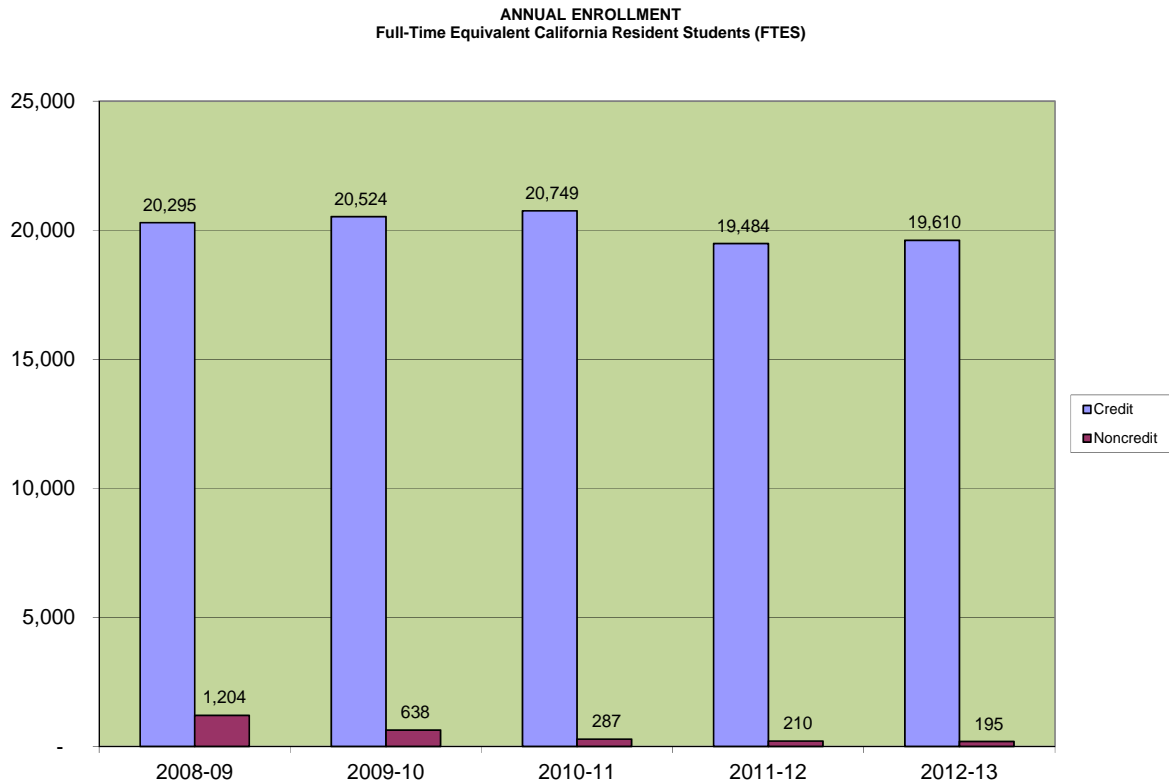
Selected Highlights

This section provides an overview of the District's financial activities. A comparative analysis is included in this Management's Discussion and Analysis using prior year information.

- Cash balance (cash and cash equivalents) current and restricted increased \$108.1 million (104.6%) from \$103.4 million to \$211.5 million mainly due to \$305 million from bond proceeds (principal and premium), less \$58 million principal and interest payments for bonds (including refunded bonds), less \$165 principal and interest payments to pay off the bond anticipation notes (BAN).
- Total operating, non-operating and other revenues decreased \$9.1 million (4.4%) from \$210.0 million to \$200.9 million mainly due to decreases in grants and contracts, non-capital.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2013

- In 2012-13 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 one component of the overall funding based formula for community colleges. The other two components are local property taxes and student enrollment fees, which were \$46 per unit in the year ended June 30, 2013. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total apportionment eligible FTES reported were 19,805 for the 2012-13 fiscal year.
- Total ending fund balances increased \$79.9 million (68.9%) from \$116.1 million to \$196.0 million due mainly to the \$57 million increase in Bond Fund and the \$19 million increase in Bond Interest and Redemption Fund due to bond issuances.
- Net position decreased \$0.2 million (0.6%) from \$35.8 million to \$35.6 million comprised of \$3.5 million decrease in net position in 2012-13 and a \$3.3 million increase due to the cumulative effect of change in accounting principle.



LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

- The primary expenditure of the District is for the salaries and benefits for academic, classified, and administrative personnel. These costs decreased from the previous fiscal year by \$7.8 million to \$98.8 million. This 7.3% net decrease is primarily due to the reduction in management and classified positions.
- The District continues to make significant progress with the construction of new facilities and the renovation of existing facilities including:

Location	% Complete
<u>Liberal Arts Campus</u>	
Building A Renovation	100%
Math Tech & Culinary Arts Center	10%
<u>Pacific Coast Campus</u>	
Swing Space – Phase II	100%
Multi-Disciplinary Academic Building – Phase I	100%
Building CC Renovation	100%
Multi-Disciplinary Academic Building – Phase II	10%
<u>Both Campuses</u>	
Infrastructure Improvements	100%
Master Landscape Implementation	60%

Projects in the planning and design stages are:

- Student Services Center Retrofit (GG) – Pacific Coast Campus
- Nursing/Health Tech – Building C Modernization – Liberal Arts Campus
- Central Plant Expansion – Liberal Arts Campus
- Building D, First Floor – Liberal Arts Campus

These projects were funded through the District's \$616 million General Obligation Bond programs (Election 2002 and Election 2008), Bond Anticipation Notes (BAN), and/or State facilities construction program funding.

- The District provided student financial aid to qualifying students of the District in the amount of \$52.7 million. This represents a \$9.2 million decrease from the 2011-12 fiscal year. This aid is provided through grants and loans from the Federal and State programs. Federal Pell Grant maximums remained at \$5,550 per student in 2012-13. A decrease in sections offered due to budget cuts added to the decrease in financial aid eligible students.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Financial Statement Presentation and Basis of Accounting Governmental Funds

The District's financial report includes three primary financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, 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 No. 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.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 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, 2013 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net position recorded on the full accrual basis of accounting is as follows:

Unrestricted Fund Balance	\$ 17,180,702
Restricted Fund Balance	2,707,976
Bond Interest and Redemption Fund Balance	21,972,903
Revenue Bond Construction Fund Balance (2008 Election)	123,983,601
Capital Outlay Projects Fund Balance	10,261,654
Child Development Fund Balance	183,936
Other Special Revenue Funds Balance (Veteran's Stadium Operation and Contract/Community Education)	2,036,255
Other Trust Fund Balance (Retiree Benefits)	15,409,157
Student Financial Aid and Trust Fund Balance	121,523
Self Insurance Fund Balance	<u>638,576</u>
 Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	 194,496,283
 Auxiliary (not reported on CCFS-311)	 <u>1,499,839</u>
 Total Ending Fund Balances	 <u><u>\$ 195,996,122</u></u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

Total Ending Fund Balances	\$ 195,996,122
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 position. Capital assets of \$64,605, are already reported in the Auxiliary Fund.	324,277,150
Compensated absences and load banking are not generally due and payable in the current period, and therefore are not reported in the governmental funds. However, compensated absences of \$182,922 are reported in the Unrestricted General Fund.	(4,853,073)
Short-term and long-term liabilities for bonds 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 position which reduces the total net position reported.	(476,861,157)
Deferred outflows associated with the advanced refunding of debt increases total net position reported.	5,880,128
Interest expense related to bonds and notes incurred through June 30, 2013 are required to be recoded under the full accrual basis of accounting. This liability is added to the statement of net position, which reduces the total net position reported. Accrued interest of \$148,000 related to the TRAN issue is already reported in the General Fund.	(2,933,850)
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.	(192,825)
Estimated claims liability for self-insured risk of loss is not accrued in governmental funds.	(719,530)
Amounts for 2012-13 property taxes levied for debt service not received as of June 30, 2013.	1,114,480
The actuarially determined required contribution associated with other postemployment retirement benefits, net of employer contributions, is recognized as a liability.	(4,640,437)
Reduction for postemployment retirement benefits (OPEB) for amounts held in an irrevocable trust and reported as fiduciary activity.	<u>(1,508,725)</u>
Total Net position	<u><u>\$ 35,558,283</u></u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of the District as of the end of the fiscal year. It is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position 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, 2013. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position 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 Position provides a picture of the net position and their availability for expenditure by the District.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District. The changes in net position 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.

Cash balance (cash and cash equivalents) current and restricted increased \$108.1 million (104.6%) from \$103.4 million to \$211.5 million mainly due to \$305 million from bond proceeds (principal and premium), less \$58 million principal and interest payments for bonds (including refunded bonds), less \$165 principal and interest payments to pay off the bond anticipation notes (BAN).

Accounts receivable decreased \$20.8 million (51.2%) to \$19.9 million. This is mainly due to decreases in apportionment and federal and state receivables.

Inventory decreased to zero because Barnes & Noble began operating the campus bookstore as of July 1, 2012.

Capitalized fees decreased to zero and a new deferred charge on refunding line was added to the statement due to the change in accounting principle explained in footnote 18. This new amount represents the difference between the amount of refunded debt and the amount paid to the escrow agent to defease that debt on bond refundings.

Capital assets increased 5.9% from \$306.3 million to \$324.3 million. This is the result of the District's continuing investment in constructing and renovating buildings at each of the District's two campuses.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Statement of Net Position (continued)

Accounts payable and accrued liabilities decreased 29.9% from \$21.6 million to \$15.1 million mainly due to the decrease in payables to vendors and retention amounts held.

Long-term liabilities – current portion decreased \$150 million due to the large, one-time liability for the bond anticipation notes (BAN), which was paid off January 2013. The long term portion of debt increased due to the issuance of \$237 million in general obligation bonds.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

	(in thousands)	(in thousands)	
	<u>2013</u>	<u>2012*</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 49,692	\$ 19,881	149.9%
Receivables	19,873	40,687	-51.2%
Inventories		460	-100.0%
Prepaid expenses	<u>1,333</u>	<u>1,944</u>	-31.4%
Total current assets	<u>70,898</u>	<u>62,972</u>	12.6%
Non-current assets			
Restricted cash and cash equivalents	161,821	83,515	93.8%
Capitalized fees		2,608	-100.0%
Capital assets, net of depreciation	<u>324,342</u>	<u>306,317</u>	5.9%
Total non-current assets	<u>486,163</u>	<u>392,440</u>	23.9%
Total assets	557,061	455,412	22.3%
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	<u>5,880</u>	<u>730</u>	705.5%
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>562,941</u>	<u>456,142</u>	23.4%
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	15,122	21,579	-29.9%
Tax revenue anticipation notes (TRANS)	22,000	15,000	46.7%
Due to fiduciary fund	107		100.0%
Due to OPEB Trust and fiduciary fund	56	169	-66.9%
Unearned revenue	2,551	1,918	33.0%
Amounts held in trust for others	96	32	200.0%
Estimated claims liability	720	720	0.0%
Long-term liabilities - current portion	<u>15,241</u>	<u>165,437</u>	-90.8%
Total current liabilities	<u>55,893</u>	<u>204,855</u>	-72.7%
Non-current liabilities			
Long-term liabilities less current portion	<u>471,490</u>	<u>215,513</u>	118.8%
Total non-current liabilities	<u>471,490</u>	<u>215,513</u>	118.8%
TOTAL LIABILITIES	<u>527,383</u>	<u>420,368</u>	25.5%
NET POSITION			
Invested in capital assets, net of related debt	(28,536)	4,220	-776.2%
Restricted	33,245	16,061	107.0%
Unrestricted	<u>30,849</u>	<u>15,493</u>	99.1%
TOTAL NET POSITION	<u>\$ 35,558</u>	<u>\$ 35,774</u>	-0.6%

* Prior year amounts have not been restated for GASB Statements No. 62 and 65. Prior year amounts have been reclassified to conform to current year presentation.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The components of net position are investment in capital assets, restricted assets and unrestricted assets. The negative \$28.5 million in net position invested in capital assets, net of related debt consists of \$324.3 million in capital assets, net of accumulated depreciation and Revenue Bond Construction Fund balance of \$124.0 million, less \$476.8 million in bond and notes debt. It is common for this balance to be negative during the early stages of a construction program since you need to issue debt to fund the construction activities. As time progresses and the construction program diminishes, this balance should begin to increase.

\$33.2 million of restricted net position are assets that must be used to meet the goals and purposes of the Federal, State, local, or private agencies providing the assets or amounts designated for debt services.

The value of unrestricted net position was \$30.8 million. Many of the unrestricted net position 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, 2013

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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 apportionments are non-operating revenues because they are provided by the legislature to the District without the legislature directly receiving services for those revenues.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

	(in thousands) 2013	(in thousands) 2012*	Change
Operating Revenues			
Net tuition and fees	\$ 8,098	\$ 7,121	13.7%
Grants and contracts, non-capital	72,849	82,078	-11.2%
Auxiliary sales and charges	<u>1,071</u>	<u>6,196</u>	-82.7%
Total operating revenues	<u>82,018</u>	<u>95,395</u>	-14.0%
Operating Expenses			
Salaries and benefits	98,773	106,566	-7.3%
Supplies, materials and other operating expenses and services	28,792	29,912	-3.7%
Financial aid	52,676	61,920	-14.9%
Depreciation	<u>8,284</u>	<u>7,276</u>	13.9%
Total operating expenses	<u>188,525</u>	<u>205,674</u>	-8.3%
Operating loss	<u>(106,507)</u>	<u>(110,279)</u>	-3.4%
Non-operating revenues			
State apportionments, non-capital	60,631	77,673	-21.9%
Local property taxes	27,061	12,813	111.2%
State taxes and other revenues	3,006	3,828	-21.5%
Investment income, net	<u>571</u>	<u>669</u>	-14.6%
Total non-operating revenues	<u>91,269</u>	<u>94,983</u>	-3.9%
Other revenues, (expenses), gains or (losses)			
State apportionments, capital	181	6,066	-97.0%
Local property taxes and other revenues, capital	26,647	12,587	111.7%
Investment income, capital	737	971	-24.1%
Interest expense	(12,991)	(14,795)	-12.2%
Loss on disposal of capital assets	<u>(2,805)</u>	<u> </u>	100.0%
Total other revenues, (expenses), gains or (losses)	<u>11,769</u>	<u>4,829</u>	143.7%
Changes in net position	(3,469)	(10,467)	-66.9%
Net position, beginning of year as previously reported	35,774	46,241	-22.6%
Cummulative effect of change in accounting principles	<u>3,253</u>	<u> </u>	100.0%
Net position, beginning of year after cummulative effect	<u>39,027</u>	<u>46,241</u>	-15.6%
Net position, end of year	<u>\$ 35,558</u>	<u>\$ 35,774</u>	-0.6%

* Prior year amounts have not been restated for GASB Statements No. 62 and 65. Prior year amounts have been reclassified to conform to current year presentation.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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:

	(in thousands) <u>2013</u>	(in thousands) <u>2012</u>	<u>Change</u>
Revenues			
Operating Revenues	\$ 82,018	\$ 95,395	-14.0%
Non Operating Revenues	91,269	94,983	-3.9%
Other Revenues	<u>27,565</u>	<u>19,624</u>	40.5%
	200,852	210,002	-4.4%
Expense			
Operating Expenses	(188,525)	(205,674)	-8.3%
Other Expenses	<u>(15,796)</u>	<u>(14,795)</u>	6.8%
Total Expenses	(204,321)	(220,469)	-7.3%
Change in Net Position	(3,469)	(10,467)	-66.9%
Net position, beginning of year as previously reported	35,774	46,241	-22.6%
Cummulative effect of change in accounting principles	<u>3,253</u>	<u> </u>	100.0%
Net position, beginning of year after cummulative effect	<u>39,027</u>	<u>46,241</u>	-15.6%
Net Position End of Year	<u>\$ 35,558</u>	<u>\$ 35,774</u>	-0.6%

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

Operating revenue decreased 14.0% due to the decrease in financial aid of \$9.2 million and the decrease of \$5.1 million in Auxiliary revenue due to the change to operation by an outside company.

Operating expenses decreased 8.3%, which is due mainly to the decrease in salary and benefits and the decrease in demand for financial aid.

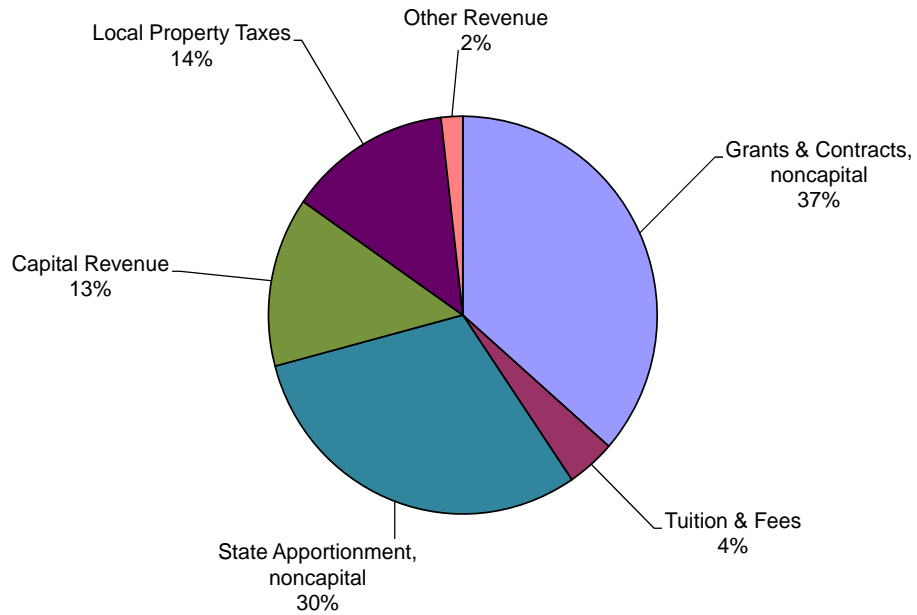
Other revenues increased 40.5% mainly due to an increase of property tax revenue through the Bond Interest and Redemption Fund.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Total revenues were \$200.9 million while total expenditures were \$204.3 million. This yields a decrease in net position of \$3.5 million. With the cumulative effect of a change in accounting principle of \$3.3 million, the net changes in net position are minor.

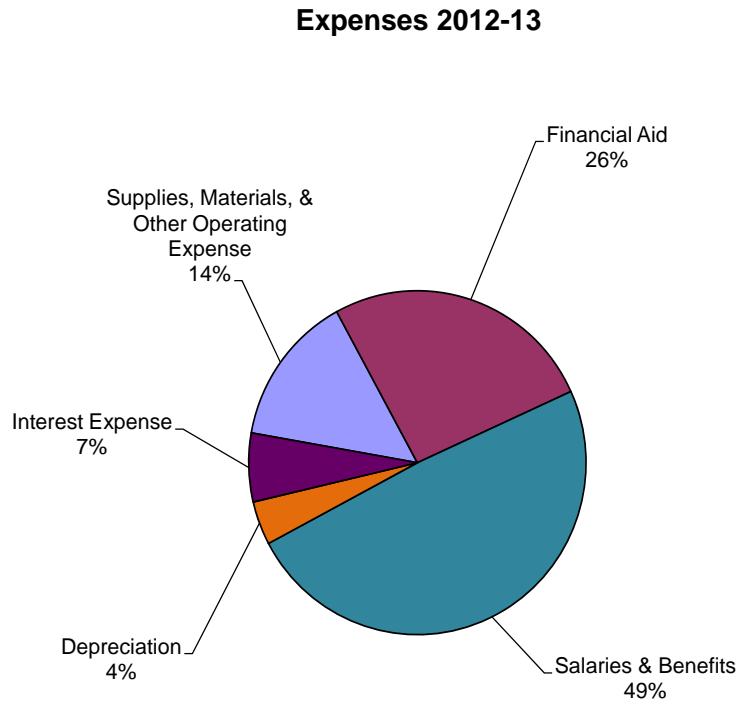
The following chart shows the sources of revenue to the District. The largest sources are State apportionment, non-capital (30%) which is derived from the State's funding formula for Community Colleges; and Grants & Contracts, non-capital (37%).

Revenue 2012-13



LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

The following chart shows where the District's money is spent. The largest category of expenses (49%) is for salaries and benefits. This reflects the college's reliance on faculty members and support staff to perform its educational mission.



LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement 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 used for 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 net cash flows for 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 by issuing short-term tax revenue anticipation notes (TRANS).

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

Capital and related financing – The cash used in this section includes purchases of capital assets and debt repayments.

The net change in cash, considering all sources and uses, was an increase of \$108.1 million. This results in an end of year cash balance of \$211.5 million. As a matter of prudent financial management, the District maintains a positive cash position at all times.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

A summarized comparison of the Statement of Cash Flows is presented below:

	(in thousands)	(in thousands)	
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$ (91,238)	\$ (104,593)	12.8%
Non-capital financing activities	113,868	104,107	9.4%
Capital and related financing activities	85,168	(34,801)	-344.7%
Investing activities	<u>318</u>	<u>681</u>	-53.3%
Net increase/(decrease) in cash and cash equivalents	108,116	(34,606)	-412.4%
Cash balance, beginning of year	<u>103,397</u>	<u>138,003</u>	-25.1%
Cash balance, end of year	<u>\$ 211,513</u>	<u>\$ 103,397</u>	104.6%

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

Cash used in operating activities decreased due to a decrease in receipts from federal grants and their respective expense and the decrease in Auxiliary receipts, less a decrease in disbursements for salaries to address necessary budget cuts.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Capital Assets and Debt Administration

Capital Assets

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 eighty years ago and land values in Southern California have increased over this time. On June 30, 2012, the District had \$306.3 million, net of depreciation, in a broad range of capital assets including land, buildings, equipment and construction in progress. During the 2012-13 fiscal year, the District continued to modernize various facilities throughout the District at a cost of \$49.1 million. At the end of the year capital assets, net of depreciation, were valued at \$324.3 million which is a 5.9% increase.

Note 5 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

	(in thousands) Balance <u>June 30, 2013</u>	(in thousands) Balance <u>June 30, 2012</u> *	<u>Change</u>
Land	\$ 25,976	\$ 25,976	0.0%
Construction in Progress	41,550	48,399	-14.2%
Site and Site Improvements	315,419	284,277	11.0%
Equipment	<u>10,734</u>	<u>11,500</u>	-6.7%
Totals at historical cost	<u>393,679</u>	<u>370,152</u>	6.4%
Less accumulated depreciation for:			
Site and Site Improvements	59,998	54,280	10.5%
Equipment	<u>9,340</u>	<u>9,557</u>	-2.3%
Total accumulated depreciation	<u>69,338</u>	<u>63,837</u>	8.6%
Governmental capital assets, net	<u>\$ 324,341</u>	<u>\$ 306,315</u>	5.9%

*Prior year amount have not been restated for GASB Statement No. 62 changes.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Long-Term Debt

As of June 30, 2013, the District had \$486.7 million in long-term debt. During the 2012-13 fiscal year, long-term debt increased by \$106.5 million. This is mainly due to the issuance of \$237 million in bonds plus premium less the payoff of the \$150 million bond anticipation notes (BAN). The District's bond rating is AA - (S&P) and Aa2 (Moody's).

Notes 8 through 11, as well as Notes 13 and 14, to the financial statements provide additional information on long-term liabilities. A comparison of long-term debt is summarized below:

	(in thousands) Balance <u>June 30, 2013</u>	(in thousands) Balance <u>June 30, 2012</u>	<u>Change</u>
Compensated absences	\$ 5,036	\$ 5,175	-2.7%
General obligation bonds, net	476,861	215,921	120.8%
Bond anticipation notes, net		155,080	-100.0%
Other postemployment benefits other than pensions (OPEB)	4,640	3,657	26.9%
Supplemental employee retirement plan	<u>193</u>	<u>386</u>	-50.0%
Total long term debt	486,730	380,219	28.0%
Total short term portion	<u>(15,241)</u>	<u>(165,437)</u>	-90.8%
Total long term portion	<u>\$ 471,489</u>	<u>\$ 214,782</u>	119.5%

District's Fiduciary Responsibility

The Futuris Public Entity Investment Trust (the Retiree Benefit Trust) was established in May 2006. The Retiree Benefit Trust is an irrevocable government trust for the purpose of funding post-employment health benefits. The District acts as the fiduciary of the Retiree Benefit Trust and the financial activity of the Retiree Benefit Trust has been discretely presented in the financial statements.

The District has the responsibility of accounting for the Associated Student Body Fund. These fiduciary activities are reported in a separate Statement of Fiduciary Net Position.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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 apportionment and other State revenues, non-capital, tuition and fees and local property taxes of \$95.8 million support 53% of total operating expenses, excluding depreciation.

The 2013-14 State Budget provides many positive signs after five years of budget cuts. For the first time in the past three years, the Budget did not include potential mid-year cuts. State general fund expenditures have increased, but remain below 2007-08 levels. The State Budget includes a reserve of \$1.1 billion. In the past, State Budgets have been built on overly optimistic and even unrealistic revenue projections. In contrast, Governor Brown reduced his revenue projections from his January 2013 budget despite strong tax receipts. This approach may be intended to protect the state from the boom and bust budgeting cycles of the past. State revenue reports have been strong through October 2013.

Looking further into the 2013-14 budget year and beyond, the challenges that California community colleges face include faculty obligation funding, Proposition 30 Education Protection Account (EPA) revenue expiration, redevelopment backfills and apportionment changes. The full-time faculty obligation number (FON) has been frozen since fall 2008. The Board of Governors lifted the freeze for fall 2014. The District will need to hire close to 40 new full-time faculty. Proposition 30 sales tax increases end after 2016; the income tax increases end after 2018. It is uncertain how the education funding will fare after that loss of funding. Redevelopment revenues are statutorily guaranteed, but the timing and completeness of these backfills are uncertain. In 2008-09, about 2/3 of apportionment was general fund approved in the budget act. Now, it is about 1/3. So, 2/3 of the budget is based on estimates that may or may not hold up.

Cash flow has improved for 2013-14 and for the near future. The District is projecting much less need for short-term financing due to:

- The governor's reduction to deferrals in the State Budget,
- The change to a more equitable allocation of deferrals by the Chancellor's Office, and
- The receipt of EPA funds quarterly instead of the end of the fiscal year.

Increased property tax and redevelopment property tax receipts helped cash flow in 2012-13. Some of the redevelopment property tax receipts are one-time due to the elimination of redevelopment agencies. These revenues are very difficult to predict. Their impact on cash flow can be significant, so they will be monitored going forward.

LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The District continues to fully fund its ARC (Annual Required Contribution) with contributions of \$3.1 million to the Retiree Health Fund. The fund balance increased to \$15.4 million, of this balance, \$1.5 million represents the ending fund balance of the irrevocable Retiree Benefit Trust reported in a separate statement of net position and statement of changes in net position for Other Postemployment Benefits Plan in accordance with GASB 43/45.

Ongoing construction projects will continue for the next several years; which will continue to increase the value of the District's capital assets because construction costs will be capitalized and capital assets will increase. There will be some additional costs for the operation and maintenance of those new facilities.

The District paid off the \$150 million Bond Anticipation Notes (BAN) in January 2013 as scheduled. In August 2012, \$40.96 million in refunding bonds were issued to refund a portion of the 2002 election Series B bonds. In December 2012, \$237.0 million in 2008 election Series B bonds were issued. The bonds were used to pay off the BAN as noted above and to continue to fund the ongoing construction projects. The District issued \$22 million in Tax Revenue Anticipation Notes (TRAN) on March 1, 2013 due to cash flow needs caused by increased apportionment deferrals. The improvements to cash flows noted above should result in a much smaller TRAN issuance in 2014.

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 John Thompson, Director of Fiscal Services, at: Long Beach Community College District, 4901 E. Carson Street – Y14, Long Beach, CA 90808, (562) 938-4102, or via email at jthompson@lbcc.edu.

BASIC FINANCIAL STATEMENTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 49,692,348
Accounts receivable, net	19,872,681
Prepaid expenses	<u>1,333,234</u>
Total Current Assets	<u>70,898,263</u>
Non-current Assets:	
Restricted cash	161,820,555
Land	25,976,471
Construction in process	41,549,918
Capital assets, net of accumulated depreciation	<u>256,815,366</u>
Total Non-current Assets	<u>486,162,310</u>
Total assets	557,060,573

DEFERRED OUTFLOW OF RESOURCES

Deferred charge on refunding	<u>5,880,128</u>
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TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$ 562,940,701

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities:	
Accounts payable	\$ 10,431,989
Accrued liabilities	1,608,302
Accrued interest payable	3,081,850
Tax revenue anticipation notes (TRANS)	22,000,000
Due to fiduciary fund	107,086
Due to OPEB Trust	56,032
Unearned revenue	2,550,717
Amounts held in trust for others	96,498
Estimated claims liability	719,530
Compensated absences - current portion	2,543,099
General obligation bonds payable - current portion	12,505,000
Supplemental employee retirement plan - current portion	<u>192,825</u>
Total Current Liabilities	<u>55,892,928</u>
Non-current Liabilities:	
Compensated absences	2,492,896
General obligation bonds payable	464,356,157
Other postemployment benefits other than pensions (OPEB)	<u>4,640,437</u>
Total Non-current Liabilities	<u>471,489,490</u>
TOTAL LIABILITIES	<u>527,382,418</u>

NET POSITION

Invested in capital assets, net of related debt	(28,535,800)
Restricted for:	
Capital projects	10,261,653
Debt service	20,153,532
Scholarships and loans	121,524
Other special services	2,707,976
Unrestricted	<u>30,849,398</u>

TOTAL NET POSITION 35,558,283

TOTAL LIABILITIES AND NET POSITION \$ 562,940,701

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

OPERATING REVENUES	
Tuition and fees (gross)	\$ 24,886,951
Less: Scholarship discounts and allowances	<u>(16,789,121)</u>
Net tuition and fees	8,097,830
Grants and contracts, non-capital:	
Federal	57,168,562
State	10,065,118
Local	5,615,314
Auxiliary commissions	<u>1,070,868</u>
TOTAL OPERATING REVENUES	<u>82,017,692</u>
OPERATING EXPENSES	
Salaries	73,088,294
Employee benefits	25,685,284
Supplies, materials, and other operating expenses and services	26,288,190
Financial aid	52,675,561
Utilities	2,504,132
Depreciation	<u>8,284,242</u>
TOTAL OPERATING EXPENSES	<u>188,525,703</u>
Operating loss	<u>(106,508,011)</u>
NON-OPERATING REVENUES	
State apportionments, non-capital	60,631,285
Local property taxes	27,060,990
State taxes and other revenues	3,006,062
Investment income - non-capital	<u>570,616</u>
TOTAL NON-OPERATING REVENUES	<u>91,268,953</u>
Loss before other revenues, (expenses), gains or (losses)	<u>(15,239,058)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	
State apportionments, capital	181,000
Local property taxes and revenues, capital	26,646,911
Investment income, capital	736,841
Interest expense on capital asset-related debt	(12,990,714)
Loss on disposal of capital assets	<u>(2,804,355)</u>
TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	<u>11,769,683</u>
Decrease in net position	(3,469,375)
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	35,774,230
Cumulative effect of change in accounting principles (see Note 18)	<u>3,253,428</u>
NET POSITION, BEGINNING OF YEAR AFTER CUMULATIVE EFFECT	<u>39,027,658</u>
NET POSITION, END OF YEAR	<u><u>\$ 35,558,283</u></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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees (net)	\$ 7,883,146
Federal grants and contracts	57,856,189
State grants and contracts	9,907,070
Local grants and contracts	6,628,186
Auxiliary commissions	1,279,781
Payments to suppliers	(26,756,364)
Payments to/on behalf of employees	(95,486,655)
Payments to/on behalf of students	(52,613,562)
Amounts received/(paid) in trust	<u>64,562</u>
Net cash used by operating activities	<u>(91,237,647)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments and receipts	76,275,061
Property taxes	27,641,129
State tax and other revenues (payments)	3,065,496
Tax revenue anticipation notes proceeds	22,208,886
Tax revenue anticipation notes payments	<u>(15,322,900)</u>
Net cash provided by non-capital financing activities	<u>113,867,672</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionments for capital purposes	2,409,873
Local revenue for capital purposes	26,646,910
Interest on capital investments	475,598
Net purchases of capital assets	(26,039,135)
Proceeds from issuance of capital debt	305,450,496
Principal paid on capital debt	(196,352,698)
Interest paid on capital debt	<u>(27,423,079)</u>
Net cash provided by capital and related financing activities	<u>85,167,965</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>317,767</u>
Net cash provided by investing activities	<u>317,767</u>

NET CHANGES IN CASH AND CASH EQUIVALENTS 108,115,757

CASH BALANCE, Beginning of Year 103,397,146

CASH BALANCE, End of Year \$ 211,512,903

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013**

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

Operating loss	\$ (106,508,011)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	8,284,242
Bad debt write-off	587,157
Changes in assets and liabilities:	
Receivables, net	2,602,055
Inventory	459,867
Prepaid expenses	282,866
Accounts payable and accrued liabilities	1,712,182
Unearned revenue	632,496
Compensated absences	(139,281)
Due to OPEB Trust	(17,388)
Due to /from fiduciary	11,395
Amounts held in trust for others	64,562
Other postemployment benefits other than pensions (OPEB)	983,036
Supplemental employee retirement plan	<u>(192,825)</u>
Net cash used by operating activities	<u>\$ (91,237,647)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 49,692,348
Restricted cash and cash equivalents	<u>161,820,555</u>
Total	<u>\$ 211,512,903</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Associated Student Body Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,449,042
Due from District	<u>107,086</u>
TOTAL ASSETS	<u>2,556,128</u>
LIABILITIES	
Accounts payable	7,864
Deferred revenue	68,394
Amounts held in trust	<u>464,893</u>
TOTAL LIABILITIES	<u>541,151</u>
NET POSITION	
Unrestricted	<u>2,014,977</u>
TOTAL NET POSITION	<u><u>\$ 2,014,977</u></u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2013

	Associated Student Body Fund
ADDITIONS	
Student activities	\$ 913,921
Other local sources	55,736
Interest and investment income	<u>2,745</u>
TOTAL ADDITIONS	<u>972,402</u>
DEDUCTIONS	
Salaries	164,381
Benefits	64,641
Supplies, materials, and other operating expenses and services	<u>506,141</u>
TOTAL DEDUCTIONS	<u>735,163</u>
Increase in net position	237,239
NET POSITION AT BEGINNING OF YEAR	<u>1,777,738</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,014,977</u></u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION

June 30, 2013

	<u>Retiree Benefit Trust</u>
ASSETS	
Investments	\$ 1,452,693
Due from governmental funds:	
Contributions receivable	<u>56,032</u>
TOTAL ASSETS	<u>1,508,725</u>
 TOTAL NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	 <u>\$ 1,508,725</u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
For the Fiscal Year Ended June 30, 2013

	<u>Retiree Benefit Trust</u>
ADDITIONS	
Investment Income:	
Interest and investment income	\$ 50,216
Realized gain on investments	27,856
Investment expense	<u>(14,169)</u>
Net investment income	63,903
Contributions	<u>56,032</u>
TOTAL ADDITIONS	<u>119,935</u>
Increase in net position	119,935
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR	<u>1,388,790</u>
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR	<u><u>\$ 1,508,725</u></u>

See the accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

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 a financial benefit or burden relationship is present 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.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. 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, 2013

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

A. REPORTING ENTITY: (continued)

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

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

Long Beach City College 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 is 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. Individually prepared financial statements are not prepared for the Auxiliary.

Futuris Public Entity Investment Trust (the Retiree Benefit Trust) – The Retiree Benefit Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits. The Long Beach City College Retirement Board of Authority (the Board of Authority) retains the responsibility to oversee the management of the Retiree Benefit Trust. The Board of Authority is comprised of the Vice President of Administrative Services, the Executive Vice President of College Advancement and Economic Development and the Director of Fiscal Services. The financial activity of the Retiree Benefit Trust has been discretely presented. Individually prepared financial statements are not prepared for the Retiree Benefit Trust.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 created for the benefit of the District and its students and organized to provide support for the activities and programs of the District. The Foundation is not included as a component unit because the second criterion was not met; the District is not entitled to, nor have the ability to otherwise access, a majority of the economic resources received or held by the separate organization. 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). The financial statement presentation required by GASB 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, including Retiree Benefit Trust activities, are excluded from the basic financial statements. Student Financial Aid programs and retiree benefit activities not included in the Retiree Benefit Trust are included in the basic financial statements.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

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.

The statements of plan net position and changes in plan net position of the Retiree Benefit Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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, 2013

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

C. BASIS OF ACCOUNTING: (continued)

1. Cash and Cash Equivalents

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

2. 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 grants and contracts. All material receivables are considered fully collectible. 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.

Account receivable from students for tuition and fees are recorded at gross amounts. Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

3. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2013, 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, maintenance agreements, professional services, and supplementary employee retirement plan payments.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

4. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for disbursements in acquisitions or construction of noncurrent assets or that are segregated for the liquidation of long-term debt.

5. Investments

Investments in the Retiree Benefit Trust are reported at cost, which approximated fair value at June 30, 2013.

6. 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 costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs are offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

7. Deferred Outflow of Resources

Deferred Outflow of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

8. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salary and benefits payable.

9. Unearned Revenue

Cash received for student fees and federal and state special projects and programs, including state funded capital outlay projects, is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

10. 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 position. The entire compensated absences liability is accrued when incurred in the basic 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

10. Compensated Absences (continued)

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, therefore, 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.

11. Net Position

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 included as a component of invested in capital assets, net of related debt.

Restricted net position – expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted net position – nonexpendable: Nonexpendable restricted net position consists 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 position – nonexpendable.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

11. Net Position (continued)

Unrestricted net position: Unrestricted net position represents 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.

12. 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 2014 will be recorded in the year computed by the State.

The District has recorded accounts receivable of approximately \$10.1 million related to the deferred apportionment payment, net of property tax and enrollment fee revenue adjustments.

13. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

14. 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 \$786,000 for STRS.

15. 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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

16. 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 position. 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.

17. Estimates

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

C. BASIS OF ACCOUNTING: (continued)

18. Tax Status

The Auxiliary qualifies as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code 23701d.

The Auxiliary has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Auxiliary's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Auxiliary files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the statute of limitation for U.S. federal and state examinations by tax authorities is generally three and four years, respectively.

19. Minimum Reserve Policy

The District has adopted a minimum reserve balance policy in order to protect against revenue short falls and unexpected one-time expenditures. The policy requires a reserve for contingencies consisting of unassigned amounts of no less than 5.5% of unrestricted general fund expenditures. This policy exceeds the minimum reserve balance recommended by the California Community College Chancellor's Office that districts provide for a minimum prudent reserve balance of 5% of unrestricted expenditures.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS:

A. 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, 2013, none of the District's bank balance of \$5,491,191 was exposed to credit risk.

B. 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 amortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2013, as provided by County Treasurer, was \$207,666,981, as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the amortized cost of the portfolio).

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 County investment pool is not required to be rated.

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 \$1,278,720 on June 30, 2013, which represents withholdings payable and amounts due to the general fund for payments made on the warrant pass-through fund's behalf.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

C. Investments

Investments held by the Futuris Public Entity Investment Trust (the Retiree Benefit Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Government Code Section 53620 through 53622. The Retiree Benefit Trust did not violate any provisions of the investment policy during the fiscal year ended June 30, 2013.

Investments held by the Retiree Benefit Trust at June 30, 2013 are presented below:

<u>Investment</u>	<u>Fair Value</u>
Common Stock Mutual Fund	\$ 582,194
Fixed Income Mutual Fund	<u>870,499</u>
Total	<u>\$ 1,452,693</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Retiree Benefit Trust investment policy follows California Government Code Section 53601 and limited investment maturities to 5 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Retiree Benefit Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital. As of June 30, 2013, the Retiree Benefit Trust's investments are in mutual funds which are not rated.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS: (continued)

C. Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, the Retiree Benefit Trust is exposed to concentration of credit risk whenever investments in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

The Retiree Benefit Trust's investment policy limits investments in any single equity security to be not more than 5%. In addition, the Retiree Benefit Trust's investment policy prohibits investments in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer. This limitation is not intended to apply to percentage of the Retiree Benefit Trust assets invested in a single diversified multi fund. Nor does the limitation apply to obligations of the U.S. Government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such obligations or securities. At June 30, 2013 the Retiree Benefit Trust had not invested more than 5% of its portfolio in one issuer.

NOTE 3 – ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2013 consists of the following:

Federal and State	\$13,874,599
Miscellaneous	3,409,915
Tuition and Fees	1,695,632
Due from Warrant Pass-Through Fund	<u>892,535</u>
	<u>\$19,872,681</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Adjustments*	Adjusted Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Non-depreciable assets:						
Land	\$ 25,976,471	\$	\$ 25,976,471	\$	\$	\$ 25,976,471
Construction in progress	48,399,101	1,196,876	49,595,977	18,667,414	(26,713,473)	41,549,918
Total non-depreciable assets:	<u>74,375,572</u>	<u>1,196,876</u>	<u>75,572,448</u>	<u>18,667,414</u>	<u>(26,713,473)</u>	<u>67,526,389</u>
Depreciable assets:						
Site and site improvements	284,276,894	5,004,094	289,280,988	29,996,398	(3,858,677)	315,418,709
Equipment	11,499,313		11,499,313	465,764	(1,230,722)	10,734,355
Total depreciable assets:	<u>295,776,207</u>	<u>5,004,094</u>	<u>300,780,301</u>	<u>30,462,162</u>	<u>(5,089,399)</u>	<u>326,153,064</u>
Less accumulated depreciation for:						
Site and site improvements	54,279,674	339,071	54,618,745	7,409,981	(2,031,173)	59,997,553
Equipment	9,557,171		9,557,171	874,261	(1,091,287)	9,340,145
Total accumulated depreciation	<u>63,836,845</u>	<u>339,071</u>	<u>64,175,916</u>	<u>8,284,242</u>	<u>(3,122,460)</u>	<u>69,337,698</u>
Total depreciable asset, net	<u>231,939,362</u>	<u>4,665,023</u>	<u>236,604,385</u>	<u>22,177,920</u>	<u>(1,966,939)</u>	<u>256,815,366</u>
Governmental capital assets, net	<u>\$ 306,314,934</u>	<u>\$ 5,861,899</u>	<u>\$ 312,176,833</u>	<u>\$ 40,845,334</u>	<u>\$ (28,680,412)</u>	<u>\$ 324,341,755</u>

* The beginning balance has been adjusted due to the implementation of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. See Note 18.

Interest expense for the year ended June 30, 2013 was \$13,042,237 of which \$51,523 was capitalized. Interest revenue used to offset capitalized interest was \$685,317.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - TAX AND REVENUE ANTICIPATION NOTES (TRANS):

2011-12 Pooled TRAN Participation Certificates Series B

The District issued \$15,000,000 of tax and revenue anticipation notes dated March 1, 2012. The notes included interest at a rate of 2.00% and matured on January 31, 2013. The notes were sold by the District to supplement its cash flow.

Repayment requirements were \$7,500,000 deposited with the County Treasurer in November, 2012, and a final payment of \$7,500,000, plus an amount sufficient to pay interest on the notes, be deposited in December, 2012. All deposits were made with the County Treasurer on a timely basis.

2012-13 Pooled TRAN Participation Certificates Series C

The District issued \$22,000,000 of tax and revenue anticipation notes dated February 28, 2013. The notes include interest at a rate of 2.00% and will mature on January 31, 2014. The notes were sold by the District to supplement its cash flow.

Repayment requirements are that \$11,000,000 be deposited with the County Treasurer in November, 2013, and a final payment of \$11,000,000, plus an amount sufficient to pay interest, be deposited in December, 2013.

NOTE 7 - LEASES:

Operating Leases

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

<u>Fiscal Year</u>	<u>Lease Payment</u>
2013-14	\$ 217,797
2014-15	183,639
2015-16	166,679
2016-17	126,148
2017-18	18,286
2018-19	<u>7,619</u>
Total	<u>\$ 720,168</u>

Current year expenditures for operating leases is approximately \$224,412. 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, 2013

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE E (2002):

On March 5, 2002, \$176 million in general obligation bonds were authorized by an election held within Long Beach Community College District under Proposition 39/Measure E. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities.

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.

On November 29, 2005, the District 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 4.73 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, 2013, \$10,640,187 in accreted interest has been accrued and included in long-term debt.

\$5,502,159 in proceeds, net of costs, from the refunding were deposited in the Revenue Bond Construction Fund. The balance of proceeds associated with the refunding were deposited in an irrevocable escrow account for future repayment. In May 2013, the outstanding balance of the defeased debt was repaid. These bonds are considered fully defeased and are not recorded on the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE E (2002): (continued)

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 2012-13 year.

On October 24, 2007, the District offered for sale \$70,999,987 in General Obligation 2002 Election Series D (2007) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$43,550,000 and capital appreciation bonds in the aggregate principal amount of \$27,449,987. These bonds contain an interest provision ranging from 3.63 percent to 6.01 percent depending on the maturity date of the bond. These bonds were issued to be used for acquisition, construction, furnishing and equipping of District facilities.

The capital appreciation bonds were issued with maturity dates of May 1, 2013 through May 1, 2025. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2013, \$7,360,887 in accreted interest has been accrued and included in long-term debt.

On August 15, 2012 the District offered for sale \$40,960,000 in General Obligation 2002 Election, 2012 Refunding Bonds Series A of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series B). The bonds contain an interest provisions ranging from 3 percent to 5 percent depending on the maturity date of the bond.

The proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayment. The outstanding balance of the defeased debt to be paid by the escrow agent of \$38,685,000 is scheduled to be paid on May 1, 2015. The cash flow savings from the refunding amounted to \$3,096,000 and the present value of the economic gain to the District and taxpayers is \$2,904,404. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on 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 \$5,501,838. Amortization of \$305,658 was recognized during the 2012-13 year

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE E (2002): (continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Bonds included total premiums of \$14,281,157. This amount will be amortized using the straight-line method. Amortization of \$842,396 was recognized during the 2012-13 year. In addition, \$1,229,326 associated with the Series B refunding was written off.

The following summarizes the outstanding bonded debt of Measure E (2002) at June 30, 2013.

<u>Date of Issue</u>		<u>Interest Rate %</u>	<u>Original Maturity Dates (1)</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
04/30/03	A	2.5-5.0%	5/1/2004 to 8/1/2027	\$ 40,000,000	\$ 1,235,000	\$ 1,235,000	\$ -
11/29/05	B	3.75-5.0%	5/1/2006 to 5/1/2030	65,000,000	57,280,000	40,100,000	17,180,000
11/29/05	C	3.75-4.73%	5/1/2006 to 5/1/2017	28,224,898	10,989,898	4,250,000	6,739,898
10/24/07	D	3.63-6.01%	5/1/2013 to 5/1/2032	70,999,987	70,999,987	258,580	70,741,407
8/15/2012 Refunding	A	3.0-5.00%	5/1/2016 to 5/1/2031	<u>40,960,000</u>	<u> </u>	<u> </u>	<u>40,960,000</u>
				<u>\$ 245,184,885</u>	<u>\$ 140,504,885</u>	<u>\$ 45,843,580</u>	<u>\$ 135,621,305</u>

⁽¹⁾ Revised final maturity date on refunded portion of outstanding issue:
Series A 5/1/2013

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - GENERAL OBLIGATION BONDS – MEASURE E (2002): (continued)

The annual requirements to amortize all Measure E (2002) bonds payable, outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2014	\$ 4,181,135	\$ 3,078,865	\$ 4,553,788	\$ 11,813,788
2015	4,550,469	3,454,531	4,491,788	12,496,788
2016	3,668,097	3,821,903	4,419,538	11,909,538
2017	5,208,466	4,116,534	4,392,138	13,717,138
2018	5,980,883	1,874,117	4,299,137	12,154,137
2019-2023	30,518,200	11,726,800	19,690,937	61,935,937
2024-2028	43,659,055	6,160,945	14,633,587	64,453,587
2029-2032	37,855,000		4,048,625	41,903,625
Total Debt Service	<u>\$ 135,621,305</u>	<u>\$ 34,233,695</u>	<u>\$ 60,529,538</u>	<u>\$ 230,384,538</u>

NOTE 9 - GENERAL OBLIGATION BONDS – MEASURE E (2008):

On February 5, 2008, \$440 million in general obligation bonds were authorized by an election held within Long Beach Community College District under Proposition 39/Measure E. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities. In addition, proceeds will be used for the prepayment of certain lease and financing obligations of the District.

On July 24, 2008, the District offered for sale \$48,373,981 in General Obligation 2008 Election Series A (2008) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$24,990,000 and capital appreciation bonds in the aggregate principal amount of \$23,383,981. These bonds contain an interest provision ranging from 3.59 percent to 5.45 percent depending on maturity date of the bond. These bonds were issued to be used for acquisition, construction, furnishing and equipping of District facilities as well as the prepayment of obligations of the District as noted above.

The capital appreciation bonds were issued with maturity dates of June 1, 2013 through June 1, 2018 and June 1, 2027 through June 1, 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2013, \$6,309,533 in accreted interest, net of maturities, has been accrued and included in long-term debt.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - GENERAL OBLIGATION BONDS – MEASURE E (2008): (continued)

On December 12, 2012 the District offered for sale \$237,003,695 in General Obligation 2008 Election Series B (2012) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$181,545,000, capital appreciation bonds in the aggregate principal amount of \$4,827,984 and convertible appreciation bonds in the principal amount of \$50,630,711 and contain an interest provision ranging from 2.0 percent to 5.0 percent, depending on maturity date of the bond. The bonds were issued to effect the payment of the District's outstanding Bond Anticipation Notes, 2010 Series A (BAN) and to provide for the construction and improvement of certain facilities of the District.

The capital appreciation bonds, were issued with maturity dates of August 1, 2033 and August 2, 2034. The convertible capital appreciation bonds will convert to current interest bonds on August 1, 2032 and will mature on August 1, 2049. Prior to the applicable maturity/conversion date, each bond will accrete interest on the principal component. At June 30, 2013, \$354,348 in accreted interest has been accrued and included in long-term debt.

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 included total premiums of \$24,999,472, which are amortized using the straight-line method. Amortization of \$42,425 was recognized during the 2012-13 year.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - GENERAL OBLIGATION BONDS – MEASURE E (2008): (continued)

The following summarizes the outstanding bonded debt of Measure E (2008) at June 30, 2013.

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Dates</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
7/24/2008 A	3.59-5.45%	6/1/2012 to 6/1/2033	\$ 48,373,981	\$ 48,047,022	\$ 509,118	\$ 47,537,904
12/12/2012 B	2.0-5.0%	8/1/2013 to 8/1/2049	<u>237,003,695</u>			<u>237,003,695</u>
			<u>\$ 285,377,676</u>	<u>\$ 48,047,022</u>	<u>\$ 509,118</u>	<u>\$ 284,541,599</u>

The annual requirements to amortize the Measure E (2008) bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,077,319	\$ 167,681	\$ 6,195,463	\$ 11,440,463
2015	2,516,014	188,986	8,953,475	11,658,475
2016	3,165,302	289,698	8,895,725	12,350,725
2017	2,225,767	489,233	8,798,725	11,513,725
2018	2,889,134	975,866	8,751,325	12,616,325
2019-2023	22,975,000		41,955,200	64,930,200
2024-2028	40,591,141	7,578,859	34,550,500	82,720,500
2029-2033	44,783,227	32,246,773	26,572,850	103,602,850
2034-2038	39,657,984	7,917,016	51,907,150	99,482,150
2039-2043	70,030,000		38,954,400	108,984,400
2044-2048	34,450,603	52,154,396	22,383,187	108,988,186
2049-2050	<u>16,180,108</u>	<u>24,494,892</u>	<u>2,920,538</u>	<u>43,595,538</u>
Total Debt Service	<u>\$ 284,541,599</u>	<u>\$ 126,503,400</u>	<u>\$ 260,838,538</u>	<u>\$ 671,883,537</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 10 – BOND ANTICIPATION NOTES:

On January 7, 2010, the District issued \$150,000,000 in bond anticipation notes. The notes were issued to finance the acquisition, construction, equipment, furnishings and improvement of certain District facilities. The notes matured on January 15, 2013. \$165,103,332 in principal and interest were paid with proceeds from the sale of general obligation 2008 election, Series B bonds. The remaining unamortized premium on the notes was written-off to interest expense.

NOTE 11 – LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance 6/30/2012 (1)	Additions	Retirements	Balance June 30, 2013	Balance Due In One Year
Compensated absences	\$ 5,175,276	\$	\$ 139,281	\$ 5,035,995	\$ 2,543,099
General obligation bonds (2002 election):					
Bonds payable	140,504,885	40,960,000	45,843,580	135,621,305	4,181,135
Accreted interest	15,834,292	2,223,202	56,420	18,001,074	3,078,865
Bond premium	6,416,723	3,547,941	2,071,722	7,892,942	
General obligation bonds (2008 election):					
Bonds payable	48,047,022	237,003,695	509,118	284,541,599	5,077,319
Accreted interest	4,956,626	1,808,137	100,882	6,663,881	167,681
Bond premium	890,925	23,938,860	689,429	24,140,356	
Bond anticipation notes:					
Notes payable	150,000,000		150,000,000	-	
Notes premium	5,080,000		5,080,000	-	
Other postemployment benefits other than pensions (OPEB)	3,657,401	983,036		4,640,437	
Supplemental employee retirement plan	385,650		192,825	192,825	192,825
	<u>\$ 380,948,800</u>	<u>\$ 310,464,871</u>	<u>\$ 204,683,257</u>	<u>\$ 486,730,414</u>	<u>\$ 15,240,924</u>

(1) The beginning balance has been restated to reflect current year reclassifications under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. See Note 18.

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, net OPEB obligations and supplemental employee retirement plans. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. Bond anticipation notes were liquidated through a general obligation bond issuance.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 – 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 \$10,000 for each general liability claim and \$5,000 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 by a significant amount 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 2012-13 totaled \$34,054.

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 \$1 million. Settled claims have not exceeded this additional coverage in any of the past three fiscal years.

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 2012-13 totaled \$72,290.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 – INTERNAL SERVICE ACTIVITY: (continued)

Claims Liability

At June 30, 2013, the District accrued the workers' 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 \$719,530. Changes in the reported liability are shown below:

	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Workers' Compensation	\$719,530	\$72,290	(\$72,290)	\$719,530

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

NOTE 13 - 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).

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - EMPLOYEE RETIREMENT PLANS: (continued)

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.

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 2012-13 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. Both entities contribute to separate pools due to the number of employees. 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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - EMPLOYEE RETIREMENT PLANS: (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary. 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 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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>
2011	\$3,777,985	100%	\$3,113,728	100%
2012	\$3,324,729	100%	\$3,226,944	100%
2013	\$3,214,271	100%	\$3,153,215	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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - EMPLOYEE RETIREMENT PLANS: (continued)

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 \$371,618 during the fiscal year. The total amount of covered compensation was \$4,954,851. Contributions made by the employee vest immediately.

NOTE 14 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

In 2009-10, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty employees, effective December 31, 2009. Thirteen faculty employees are participating. The District will pay benefits of \$192,825 annually through 2013-14 for a total liability of \$964,125. The total remaining liability of \$192,825 has been reflected in these financial statements.

NOTE 15 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Option B: (continued)

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

Membership of the plan consisted of the following at June 30, 2013:

Retirees and beneficiaries receiving benefits	303
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>696</u>
Total	<u>999</u>

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District incurs 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year 2012-13, the District contributed \$2,154,326 to the plan.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 3,116,486
Interest on net OPEB obligation	182,870
Adjustment to annual required contribution	<u>(161,994)</u>
Annual OPEB cost (expense)	3,137,362
Contributions made	<u>(2,154,326)</u>
Change in net OPEB obligation	983,036
Net OPEB obligation - beginning of year	<u>3,657,401</u>
Net OPEB obligation - end of year	<u><u>\$ 4,640,437</u></u>

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the current fiscal year ended and previous two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 3,468,656	64.1%	\$ 2,662,269
6/30/2012	3,131,682	68.2%	3,657,401
6/30/2013	3,137,362	68.7%	4,640,437

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of September 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$30,703,602 and the unfunded actuarial accrued liability (UAAL) was \$29,457,133. The covered payroll (annual payroll of active employees covered by the plan) was \$58,365,252, and the ratio of the UAAL to the covered payroll was 50.47%. The District has established an irrevocable trust to mitigate the unfunded liability required by GASB 45. For fiscal year 2012-13, the District made contributions of \$56,032 to the Retiree Benefit Trust. The ending reserve balance in the Retiree Benefit Trust totaled \$1,508,725 at June 30, 2013. Additionally, the District maintains a retiree benefits fund to designate resources for retiree health care costs. Assigned resources in the fund totaled \$13,900,432 at June 30, 2013.

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

The accompanying schedule of employer contributions, also presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Actuarial Methods and Assumptions

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

For the September 1, 2011 actuarial valuation, the most recent actuarial valuation performed, the entry age normal cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using the asset values provided by the District and used a 15 year smoothing formula and a 20% corridor around market value. The initial UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period will expire on June 30, 2038. The remaining UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30 year amortization period.

NOTE 16 - JOINT VENTURES (JOINT POWERS AGREEMENTS):

The District participates in four joint Powers Agreements (JPA) entities: Protective Insurance Program for Schools (PIPS), School's Association for Excess Risk (SAFER), Statewide Educational Wrap-up Program (SEWUP), and the Statewide Association of Community Colleges (SWACC). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

PIPS provides workers' compensation insurance protection to its membership of public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 16 - JOINT VENTURES (JOINT POWERS AGREEMENTS): (continued)

SAFER provides excess insurance coverage for liability losses from \$1,000,000 to \$25,000,000 and \$5,000,000 to \$250,000,000 for excess property coverage.

SEWUP is a consolidated construction insurance program covering the job-site risks of: District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. Membership is comprised of 400 California Schools and Community College Districts. Premiums are determined for each construction project or projects.

SWACC provides liability and property insurance for forty-seven 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.

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.

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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 16 - JOINT VENTURES (JOINT POWERS AGREEMENTS): (continued)

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

	PIPS 6/30/2013 <u>(Audited)</u>	SAFER 6/30/2013 <u>(Audited)</u>	SEWUP 6/30/2013 <u>(Audited)</u>	SWACC 6/30/2013 <u>(Unaudited)</u>
Total assets	\$ 93,631,244	\$ 11,250,266	\$ 18,602,373	\$ 52,337,876
Total liabilities	<u>77,229,529</u>	<u>8,977,165</u>	<u>14,743,154</u>	<u>21,094,905</u>
Net position	<u>\$ 16,401,715</u>	<u>\$ 2,273,101</u>	<u>\$ 3,859,219</u>	<u>\$ 31,242,971</u>
Total revenues	\$213,438,410	\$ 44,177,376	\$ 9,040,966	\$ 19,688,134
Total expenditures	<u>220,030,304</u>	<u>(42,786,064)</u>	<u>10,076,433</u>	<u>16,053,764</u>
Changes in net position	<u>\$ (6,591,894)</u>	<u>\$ 1,391,312</u>	<u>\$ (1,035,467)</u>	<u>\$ 3,634,370</u>

NOTE 17 – FUNCTIONAL EXPENSES:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional	\$ 36,034,765	\$ 11,490,711	\$ 1,401,654	\$	\$	\$ 48,927,130
Academic Support	6,997,351	2,296,747	1,175,573			10,469,671
Student Services	9,905,864	3,203,658	874,435			13,983,957
Operation & Maintenance of Plant	4,225,547	1,366,585	2,788,907			8,381,039
Institutional Support	10,809,984	3,499,888	5,219,303			19,529,175
Community Services and Economic Development	2,068,641	669,020	4,453,725			7,191,386
Ancillary Services and Auxiliary Operations	2,651,004	918,848	1,563,161			5,133,013
Student Aid				52,675,561		52,675,561
Other Outgo	395,138	2,239,827	11,315,564			13,950,529
Depreciation Expense					8,284,242	8,284,242
Total	<u>\$ 73,088,294</u>	<u>\$ 25,685,284</u>	<u>\$ 28,792,322</u>	<u>\$ 52,675,561</u>	<u>\$ 8,284,242</u>	<u>\$ 188,525,703</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES:

The beginning net position of the District has been increased by \$5,861,899 to record capitalized interest, net of depreciation. In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, interest costs incurred on the District's financing during the period assets are under construction are considered part of the historical cost of acquiring the asset.

There was no effect on beginning net position for the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. However, deferred charges on refunding have been reclassified from long-term debt to deferred outflows.

The beginning net position of the District has been decreased by \$2,608,471 to write-off the balance of capitalized fees in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The fees were prepaid general obligation bond issuance costs that are now required to be expensed in the period incurred.

NOTE 19 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Award and Grants

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

B. Purchase Commitments

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$22 million. Projects will be funded through general obligation bond proceeds and state funding for capital outlay projects.

C. Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 20 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013 that have future effective dates. The selected pronouncements will most likely impact the District's financial reporting; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 68

In June 2013, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This standard is designed to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2014-15 financial statements.

Governmental Accounting Standards Board Statement No. 70

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government to recognize a liability when qualitative factors and historical data indicate that more likely than not it will be required to make a payment on a guarantee of debt for another government, non-profit organization, or a private entity; the government that issued the guaranteed obligation would recognize a revenue to the extent of the reduction in its guaranteed liabilities. This statement is effective for fiscal year 2013-14 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
3/1/2007	\$ 104,389	\$ 19,923,941	\$ 19,819,552	0.52%	\$ 59,365,956	33.39%
9/1/2009	1,164,628	31,394,983	30,230,355	3.71%	62,401,719	48.44%
9/1/2011	1,246,469	30,703,602	29,457,133	4.06%	58,365,525	50.47%

Note: In May 2006, the District established an irrevocable trust for investment and disbursement of funds for the payment of its obligation to eligible employees. At June 30, 2013, the balance in the trust was \$1,508,725 from District contributions net of trust activities. In addition, the District maintains a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2013, the fund's assigned balance was \$13,900,432.

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2013

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 3,460,567	64.3%
2012	3,116,486	68.6%
2013	3,116,486	69.1%

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Postemployment Healthcare Benefits Funding Progress

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

B. Schedule of Employer Contributions

This schedule is prepared in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2013

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 25,000 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, economic development, and lifelong learning.

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Roberto Uranga	President	July 2016
Mr. Jeffrey A. Kellogg	Vice President	July 2014
Mr. Douglas W. Otto	Member	July 2016
Dr. Thomas J. Clark	Member	July 2014
Mr. Mark J. Bowen	Member	July 2014
Ms. Andrea Donado	Student Trustee	May 2014

ADMINISTRATION

Mr. Eloy O. Oakley	Superintendent – President
Ms. Lou Anne Bynum	Executive Vice President, College Advancement and Economic Development
Ms. Ann-Marie Gabel	Vice President, Administrative Services
Dr. Gaither Loewenstein	Vice President, Academic Affairs
Dr. Greg Peterson	Vice President, Student Support Services
Ms. Rose Del Gaudio	Vice President, Human Resources

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Federal Categorical Aid Programs:			
Student Financial Aid Cluster			
Department of Education			
Direct:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	n/a	\$ 532,387
Administrative Allowance - Campus Based Programs	84.000	n/a	60,994
Federal Work Study (FWS)	84.033	n/a	656,719
Administrative Allowance - Pell	84.063	n/a	63,460
Pell Grant	84.063	n/a	42,179,045
William D. Ford Direct Loan Program	84.268	n/a	<u>7,006,000</u>
Total Student Financial Aid Cluster			<u>50,498,605</u>
TRIO Cluster			
Department of Education			
Direct:			
Student Support Services-Project Launch	84.042A	n/a	267,585
Student Support Services-Project Go	84.042A	n/a	194,766
Upward Bound	84.047A	n/a	<u>584,370</u>
Total TRIO Cluster			<u>1,046,721</u>
Department of Agriculture			
Direct:			
Child Nutrition Program	10.558	n/a	<u>82,027</u>
Department of Justice			
Direct:			
Earmarks	16.000	n/a	<u>19,661</u>
Department of Labor			
Pass-Through Program from San Bernardino Community College District:			
American Recovery and Reinvestment Act: Radio Frequency Identification (RFID)	17.275	(1)	<u>270,001</u>
U.S. Small Business Administration			
Direct:			
Small Business Development Center (SBDC)	59.037	n/a	<u>3,825,894</u>
Department of Veterans Affairs			
Direct:			
Post 9/11 Veteran Education Assistant - GI Bill Chapter 33	64.028	n/a	<u>87,903</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, 2013

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Department of Education			
Pass-Through Programs from the California Community College Chancellor's Office:			
Career Technical Education:			
Perkins Title I-C (Basic Grants to States)	84.048	(1)	933,346
Career Technical Education Transitions	84.048A	(1)	49,175
Pass-Through Program from Long Beach Unified School District:			
Gear Up	84.334A	(1)	<u>14,802</u>
Total Department of Education			<u>997,323</u>
Department of Health and Human Services			
Pass-Through Program from the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	169,955
Foster Care - Title IV - E	93.658	(1)	<u>87,795</u>
Total Department of Health and Human Services			<u>257,750</u>
Corporation for National and Community Service (CNCS)			
Direct:			
AmeriCorps National Service Awards	94.006	n/a	<u>82,677</u>
Total Federal Grants			<u>\$ 57,168,562</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Long Beach Community College District had the following loan balance outstanding as of 6/30/13:			
Perkins Program	84.038	n/a	\$ 1,953,980

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, 2013

Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:						
Basic Skills	\$ 402,776	\$	\$	\$	\$ 402,776	\$ 402,776
Board of Governors Financial Assistance Program (BFAP)	973,238				973,238	973,238
CalWORKS	523,179				523,179	523,179
Childcare Taxbailout	51,519				51,519	51,519
Cooperative Agencies Resources for Education (CARE)	162,279			83	162,196	162,196
Disabled Student Program and Services (DSPS)	970,923				970,923	970,923
Equal Employment Opportunity	9,479				9,479	9,479
Extended Opportunities Program and Services (EOPS)	1,043,114			12,967	1,030,147	1,030,147
Matriculation - Credit	632,429				632,429	632,429
Matriculation - Non-Credit	115,001				115,001	115,001
Nursing Education	281,400				281,400	281,400
Part-Time Faculty Allocation	453,420				453,420	453,420
Staff Diversity	13,679		5		13,674	13,674
	<u>13,679</u>		<u>5</u>		<u>13,674</u>	<u>13,674</u>
 Total State Programs	 <u>\$ 5,632,436</u>	 <u>\$ -</u>	 <u>\$ 5</u>	 <u>\$ 13,050</u>	 <u>\$ 5,619,381</u>	 <u>\$ 5,619,381</u>

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, 2013

	Annual Revised - Factored FTES		
	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit ¹	5.19		5.19
2. Credit	727.09		727.09
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit ¹	-		-
2. Credit	-		-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,463.48	(473.59)	15,989.89
(b) Daily Census Contact Hours	826.32	(24.29)	802.03
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	189.74		189.74
(b) Credit	229.52	214.19	443.71
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,235.57		1,235.57
(b) Daily Census Contact Hours	128.01		128.01
(c) Noncredit Independent Study/Distance Education Courses	-		-
	N/A		N/A
D. Total FTES	<u>19,804.92</u>	<u>(283.69)</u>	<u>19,521.23</u>
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	185.48		185.48
(b) Credit	1,269.62		1,269.62
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	53.36		53.36
Centers FTES			
Noncredit	82.59		82.59
Credit	4,167.66		4,167.66

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, 2013

The financial data for the activity of the Auxiliary is a component part of these financial statements that is not reported in the District's CCFS-311 series.

The audit resulted in no adjustments to the fund balances reported on the June 30, 2013 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. 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
RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2013**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 22,280,470	\$	\$ 22,280,470	\$ 22,280,470	\$	\$ 22,280,470
Other	1300	10,979,736		10,979,736	10,979,736		10,979,736
Total Instructional Salaries		33,260,206		33,260,206	33,260,206		33,260,206
Non-Instructional Salaries							
Contract or Regular	1200			-	7,224,467		7,224,467
Other	1400			-	1,041,058		1,041,058
Total Non-Instructional Salaries		-		-	8,265,525		8,265,525
Total Academic Salaries		33,260,206	-	33,260,206	41,525,731	-	41,525,731
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100			-	17,591,846		17,591,846
Other	2300			-	656,946		656,946
Total Non-Instructional Salaries		-	-	-	18,248,792	-	18,248,792
Instructional Aides							
Regular Status	2200	2,019,420		2,019,420	2,019,420		2,019,420
Other	2400	464,703		464,703	464,703		464,703
Total Instructional Aides		2,484,123		2,484,123	2,484,123		2,484,123
Total Classified Salaries		2,484,123	-	2,484,123	20,732,915	-	20,732,915
Employee Benefits	3000	10,996,391		10,996,391	22,287,257		22,287,257
Supplies and Materials	4000			-	607,475		607,475
Other Operating Expenses	5000	-		-	7,303,762		7,303,762
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		46,740,720	-	46,740,720	92,457,140	-	92,457,140

See the accompanying notes to the supplementary information.

**LONG BEACH COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2013**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	401,518		401,518	401,518		401,518
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-			-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-	255,069		255,069
Objects to Exclude							
Rents and Leases	5060			-	60,016		60,016
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	2,383,548		2,383,548
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		401,518	-	401,518	3,100,151	-	3,100,151
Total for ECS 84362, 50% Law		\$ 46,339,202	-	\$ 46,339,202	\$ 89,356,989	-	\$ 89,356,989
Percent of CEE (Instructional Salary Cost / Total CEE)		51.86%	0%	51.86%	100%	0%	100%
50% of Current Expense of Education					\$ 44,678,495	-	\$ 44,678,495

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2013

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 15,571,060
Activity Classification	Activity Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 - 5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 15,571,060	\$	\$	\$ 15,571,060
					-
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		\$ 15,571,060	\$ -	\$ -	15,571,060
Revenues less Expenditures					-
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

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,**

	(Budget) 2014 (4)		2013		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>COMBINED GENERAL FUND:</u>								
<u>Revenue</u>								
Federal	\$ 6,488,574	5.3	\$ 7,286,426	6.4	\$ 8,108,230	6.6	\$ 9,698,604	7.7
State	83,850,832	68.5	70,418,145	61.5	87,923,854	71.3	99,471,207	78.9
County and Local	32,932,794	26.9	38,558,382	33.7	22,489,137	18.2	18,615,664	14.8
Other Financing Sources	<u>328,609</u>	<u>0.3</u>	<u>631,139</u>	<u>0.6</u>	<u>1,126,264</u>	<u>0.9</u>	<u>2,571,392</u>	<u>2.0</u>
Total Revenue	<u>123,600,809</u>	<u>101.0</u>	<u>116,894,092</u>	<u>102.0</u>	<u>119,647,485</u>	<u>97.1</u>	<u>130,356,867</u>	<u>103.4</u>
<u>Expenditures</u>								
Academic Salaries	43,215,966	35.3	43,964,526	38.4	45,520,468	36.9	46,355,002	36.7
Classified Salaries	28,256,038	23.1	27,348,825	23.9	31,199,190	25.3	30,821,437	24.5
Employee Benefits	24,970,340	20.4	25,150,593	22.0	27,449,369	22.3	27,639,367	21.9
Supplies and Materials	2,141,756	1.8	1,572,520	1.4	1,691,274	1.4	1,601,647	1.3
Other Operating Expenses and Services	18,008,099	14.7	13,051,528	11.4	13,977,121	11.3	14,085,391	11.2
Capital Outlay	3,646,534	3.0	1,847,533	1.6	1,281,982	1.0	1,244,647	1.0
Other Uses	<u>2,112,639</u>	<u>1.6</u>	<u>1,635,856</u>	<u>1.4</u>	<u>2,133,960</u>	<u>1.8</u>	<u>4,273,401</u>	<u>3.4</u>
Total Expenditures	<u>122,351,372</u>	<u>100.0</u>	<u>114,571,381</u>	<u>100.0</u>	<u>123,253,364</u>	<u>100.0</u>	<u>126,020,892</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ 1,249,437</u>	<u>0.9</u>	<u>\$ 2,322,711</u>	<u>2.0</u>	<u>\$ (3,605,879)</u>	<u>(2.8)</u>	<u>\$ 4,335,975</u>	<u>3.4</u>
Ending Fund Balance	<u>\$ 21,138,114</u>	<u>17.3</u>	<u>\$ 19,888,677</u>	<u>17.4</u>	<u>\$ 17,565,966</u>	<u>14.3</u>	<u>\$ 21,171,845</u>	<u>16.8</u>
Available Reserve Balance (1)	<u>\$ 11,992,276</u>	<u>9.7</u>	<u>\$ 13,941,315</u>	<u>12.2</u>	<u>\$ 11,971,274</u>	<u>9.7</u>	<u>\$ 15,317,917</u>	<u>12.2</u>
Full-time Equivalent Students (2)	<u>20,400</u>		<u>19,805</u>		<u>19,694</u>		<u>21,036</u>	
Total Long-Term Debt (3)	<u>\$ 471,489,490</u>		<u>\$ 486,730,414</u>		<u>\$ 380,948,800</u>		<u>\$ 394,937,195</u>	

IMPORTANT NOTES:

(1) The California Community College Chancellor's Office has provided guidelines that recommend a minimum prudent ending fund balance reserve of 5% of unrestricted expenditures. In addition, the District's Board policy requires a 5.5% unrestricted ending fund balance. As such, the reserve balance is the 5.5% Board Policy reserve and any other remaining unassigned amounts in the General Fund.

The Available Reserve Balance for 2013 and 2014 includes the Board Mandated Reserve Balance, which represents 5% of the Unrestricted as per the Board adopted temporary suspension of the policy reserve.

(2) Full-time equivalent students (FTES) represent credit and non-credit factored FTES and excludes FTES generated by non-residents.

(3) Prior year amounts have been revised to exclude deferred liabilities on debt due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

(4) The 2014 budget is the original budget adopted by the Board of Trustees on September 10, 2013.

All percentages are of total expenditures.

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, 2013

	General Fund (Combined)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 1,007,550	\$ 781,173	\$ (226,377)
Temporary Assistance for Needy Families (TANF)	169,955	169,955	-
Veterans Education	300,000	87,903	(212,097)
Vocational and Technical Education Act	982,735	982,521	(214)
Other Federal Revenue	7,264,085	5,264,874	(1,999,211)
Revenue from State Sources			
General Apportionments	77,352,795	60,177,865	(17,174,930)
Categorical Apportionments	4,608,870	4,891,152	282,282
Other State Revenues	4,412,519	5,349,128	936,609
Revenue from Local Sources			
Property Taxes	12,254,062	27,641,129	15,387,067
Interest and Investment Income	345,474	384,799	39,325
Student Fees and Charges	6,773,599	7,395,198	621,599
Other Local Revenue	5,717,040	3,137,256	(2,579,784)
TOTAL REVENUES	<u>121,188,684</u>	<u>116,262,953</u>	<u>(4,925,731)</u>
EXPENDITURES			
Academic Salaries	46,061,333	43,964,526	2,096,807
Classified Salaries	29,161,470	27,348,825	1,812,645
Employee Benefits	25,994,051	25,150,593	843,458
Supplies and Materials	2,096,555	1,572,520	524,035
Other Operating Expenses & Services	15,006,896	13,051,528	1,955,368
Capital Outlay	1,883,418	1,847,533	35,885
TOTAL EXPENDITURES	<u>120,203,723</u>	<u>112,935,525</u>	<u>7,268,198</u>
Excess (deficiencies) of revenues over expenditures	<u>984,961</u>	<u>3,327,428</u>	<u>2,342,467</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	502,598	631,139	128,541
Interfund Transfers Out	(2,529,824)	(1,263,357)	1,266,467
Student Financial Aid	(586,422)	(372,499)	213,923
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,613,648)</u>	<u>(1,004,717)</u>	<u>1,608,931</u>
Excess (deficiencies) of revenues over expenditures and other sources (uses)	<u>\$ (1,628,687)</u>	2,322,711	<u>\$ 3,951,398</u>
Fund Balances, beginning of year		<u>17,565,966</u>	
Fund Balance, end of year		<u>\$ 19,888,677</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, 2013**

NOTE 1 - PURPOSE OF SCHEDULES:

A. 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, 2013 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. This schedule is presented on the modified accrual basis of accounting.

Subrecipients

The District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Small Business Development Center		
Small Business Development Center (SBDC)	59.037	
- Economic Development Collaboration - Ventura		\$ 218,187
- El Camino Community College District		336,769
- Pacific Coast Regional Small Business Development Corp.		270,083
- California State University, Los Angeles		74,845
- Los Angeles Area Chamber of Commerce (Bixel Exchange)		50,000
- Santa Clarita Community College District		239,831
- Santa Monica Community College District		286,829
		\$ 1,476,544

B. 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.

C. 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 Annual Financial and Budget Report (Form CCFS-311).

LONG BEACH COMMUNITY COLLEGE DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013**

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

D. Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

E. Proposition 30 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 30 Education Protection Act were expended.

F. Schedule of Financial Trends and Analysis

This schedule is prepared to show financial trends of the combined 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.

G. Schedule of Budgetary Comparison for the General Fund

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

OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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, 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, the basic financial statements of Long Beach Community College District (the District) as of and for the year ended June 30, 2013 and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

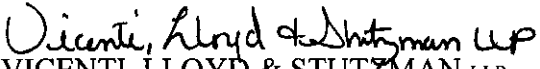
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 20, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Long Beach Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, 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 item 13-01. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

November 20, 2013

INDEPENDENT AUDITOR'S 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 Long Beach Community College District's (the District) compliance with the types of compliance requirements described in the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2013. The District's State compliance requirements are identified below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to on page 68.

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 the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Section 421	Salaries of Classroom Instructors
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Opinion on State Compliance

In our opinion, the Long Beach Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as items 13-02 and 13-03. Our opinion on each state program is not modified with respect to this matter.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

November 20, 2013

March 14, 2014 – Limited to testing of To Be Arranged Hours

FINDINGS AND QUESTIONED COSTS

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2013

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

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

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

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster
17.275	American Recovery and Reinvestment Act: Radio Frequency Identification (RFID)
84.042A, 84.047A	TRIO Cluster
59.037	Small Business Development Center (SBDC)

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000
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, 2013

There were no findings and questioned costs related to basic financial statements for the fiscal year ended June 30, 2013.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2013

FINDING 13-01 – TRANSPARENCY ACT REPORTING

CFDA Title and Number: Small Business Development Center (59.037)

Federal Award Number and Year: SBAHQ-12-B-0074 2012

Name of Federal Agency: U.S. Small Business Administration

Name of the Pass-through Agency: Not Applicable

Finding and Effect: According to the Federal Funding Accounting and Transparency Act, direct recipients of grants who make first-tier subawards and contracts must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more. Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Recipients are required to report in FSRS no later than the last day of the month in the following month in which the award or modification was made. The District is a direct recipient of Small Business Development Center funding and, during the 2012-13 fiscal year, made first-tier subawards totaling \$1,476,544. We noted that the District did not report subaward data through FSRS timely.

Questioned Costs: Not applicable.

Recommendation: Implement specific procedures to register in the FSRS and report subaward data through FSRS annually and in a timely manner.

District Response: The District agrees with the finding and has implemented procedures to ensure information needed to complete required reporting is collected in a timely manner to allow future filings to be completed on time.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2013

FINDING 13-02: SECTION 475
DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)
STUDENT EDUCATION CONTRACT

Original Finding: 12-02

Criteria: In accordance with California Code of Regulations (CCR), Title 5 §56022, a Student Educational Contract (SEC), a plan to address specific needs of the student must be established upon initiation of DSPS services. The SEC is also to be reviewed and updated annually by a DSPS professional staff person to determine whether the student has made progress toward his/her stated goal(s).

Condition: During our testing of student eligibility for the DSPS program, we noted the following in our sample of 33 students out of 1,433 served:

- 1 file was missing a Student Education Contract.
- 1 student file could not be located.
- 25 student files did not have documentation of progress made towards the established goals; however all met the requirement on impairment.

Context: A statistical sample was derived from the District's detail report of DSPS students served. The missing file and missing student education contract appears to be isolated occurrences. However; missing documentation of progress appears to be a systemic issue.

Questioned Costs: Unknown; however the extrapolated files in error were calculated as follows:

- Missing Student Education Contract – error rate of 3% or 43 files
- Missing file – error rate of 3% or 43 files
- Missing documentation of progress – error rate of 76% or 1,089 files

Effect: Missing files or documentation of progress does not meet Title 5 compliance requirements.

Recommendation: Implement procedures to ensure student progress towards goals is updated annually.

District Response: The District agrees with the finding and will create a written procedure to ensure every student education contract (SEC) is evaluated each year, per Title 5 requirements. This will involve input from the Director of Categorical and Special Programs, DSPS Counselors and Internal Audit Manager to ensure the current process is reviewed and modified to ensure compliance.

Modifications to the SARS system have been completed to include a meeting "Reason Code" of SEC which would allow the DSPS Director to generate a report at any given time to show the number of times such meetings have taken place in a defined time period. As such, the District is reviewing the possibility of allowing the electronic tracking of SEC evaluations in lieu of paper reporting.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2013

FINDING 13-03: SECTION 479
TO BE ARRANGED (TBA) HOURS

Original Finding: 11-01

Criteria: The Contracted District Audit Manual (CDAM) defines TBA as “Some courses with regularly scheduled hours of instruction have – hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, §58003.1(b) and (c), respectively.” TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to title 5, section 58003.1(f). The guidance provided by the Chancellor’s Office further requires the following elements related to TBA courses:

- The official course outline of record must include the number of TBA hours. This requirement should also be listed in the published class schedule, whether printed, online, or an addenda to the original schedule.
- Student participation must be carefully tracked to ensure TBA hours are not claimed for apportionment for students who have documented zero hours as of the census date for the course.
- Require all students enrolled in a course with TBA hours to fulfill the hours and other conditions for TBA; ensure all student participation is documented.
- TBA hours may not be claimed for apportionment under the auspices of individual student tutoring.

Condition: When auditing TBA courses we noted the following exceptions:

- The course syllabus/outline and student participation could not be provided for one course.
- TBA hours were not documented as of the census date for four courses.
- Student participation in TBA hours could not be verified for four courses.

In addition, the original query provided by the District included courses that were incorrectly identified as TBA courses. The query included scheduled courses with labs, lectures, independent study and field trips. The TBA designation is used in the Student information system for courses other than TBA; therefore, an accurate query of TBA courses or FTES generated was not easily available. For those courses misclassified in the query, attendance was recalculated and appropriately moved to the actual attendance FTES type for courses where student participation records were available.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2013

FINDING 13-03: SECTION 479
TO BE ARRANGED (TBA) HOURS (continued)

Original Finding: 11-01

Context: The issue appears to be systemic due to the error rate experienced. 100% of the TBA courses were included in our audit. In addition, all FTES moved from Daily and Weekly to Positive Attendance were verified against student participation records.

Questioned Costs/FTES:

Note: Since the sample included 100% of courses, no extrapolation was performed.

FTES Daily	(24.29)
FTES Weekly	(473.59)
FTES Positive	<u>214.19</u>
Net Decrease	(283.70)

Effect: Course classification errors will result in FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.

Recommendation: Review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedure courses. Such courses should be reported as positive attendance courses. In addition the District should review all courses labeled as TBA and revise the course designation as appropriate.

District Response: The District will work with the Chancellor's Office to revise the CCFS-320 report to reflect these changes. As a result of the initial finding, the District hired the auditors to review 100% of all the records. The net decrease in FTES above is a result of that comprehensive audit. Furthermore, the District has provided TBA trainings to Deans and Department Heads to clarify the definition of TBA classes and to explain the compliance requirements associated with offering such courses. A written procedure has been developed by the District outlining the responsibilities of each area impacted by the TBA finding to ensure that the following occurs:

1. Courses classified within PeopleSoft as being TBA meet the Chancellor's Office criteria of TBA classes.
2. Instructors teaching TBA class sections are made aware of their responsibility to submit attendance records at the conclusion of semester to Admissions & Records as support for apportionment claims.
3. Instructional Departments are made aware of their responsibility to keep syllabi for all TBA classes on file in their department offices for audit purposes. This responsibility will rest with the Deans who will be responsible for keeping the paperwork in their office for audit purposes.
4. Courses are appropriately classified within Peoplesoft into one of the two newly created codes identifying them as web or other meeting patterns when they are not TBA courses.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

Original Finding No.	Finding	Recommendation	Current Status
11-01	<p><u>SECTION 479 TO BE ARRANGED (TBA HOURS)</u></p> <p>The Contracted District Audit Manual (CDAM) defines TBA as “Some courses with regularly scheduled hours of instruction have – hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, §58003.1(b) and (c), respectively.”</p> <p>Additionally, the CDAM requires that districts track TBA hour student participation carefully to ensure that apportionment for TBA hours are not claimed for students who have documented zero hours as of the census point for the particular course.</p>	<p>Review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedure courses. Report courses not meeting the definition of a daily or weekly census as positive attendance for apportionment purposes. Additionally, implement procedures to communicate adjustments to student contact hours for students who have zero hours as of census date for TBA hours.</p>	<p>Not Implemented. See current year finding 13-03.</p>

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

Original Finding No.	Finding	Recommendation	Current Status
11-01	<p><u>SECTION 479 TO BE ARRANGED (TBA HOURS)</u> (continued)</p> <p>Out of a sample of 8, the audit of TBA courses identified:</p> <p style="text-align: center;"><u>Description</u></p> <ol style="list-style-type: none"> a. 1 weekly census procedure course, properly classified as TBA; however, 2 out of 19 students did not have at least 1 contact hour prior to census date and contact hours were claimed. b. 2 weekly census procedure courses for which the TBA portion of the course started after the census date. c. 2 weekly census procedure courses for which the TBA portion of the courses were labs with no set hours. d. 3 weekly census procedure courses that were incorrectly identified as a TBA course because the date and time of the course was not determined at the time the course schedule was printed. 		

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

Original Finding No.	Finding	Recommendation	Current Status
11-01	<p><u>SECTION 479 TO BE ARRANGED (TBA HOURS)(continued)</u></p> <p style="padding-left: 40px;"><u>Effect on Contact Hours</u></p> <ul style="list-style-type: none">a. Contact hours should not have been claimed for the 2 students identifiedb. Courses should have been claimed as a positive attendance type.c. Course should have been reported as a positive attendance type.d. No effect on contact hours claimed.		

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

Original Finding No.	Finding	Recommendation	Current Status
12-02	<p><u>SECTION 475 DISABLED STUDENT PROGRAMS AND SERVICES (DSPS) STUDENT EDUCATION CONTRACT</u></p> <p>In accordance with California Code of Regulations (CCR), Title 5 §56022, a Student Educational Contract (SEC), a plan to address specific needs of the student must be established upon initiation of DSPS services. The SEC is also to be reviewed and updated annually by a DSPS professional staff person to determine whether the student has made progress toward his/her stated goal(s). During our review of eligibility testing, we noted out of a sample of ten students:</p>	<p>Implement procedures to ensure SECs are completed prior to services being provided and updated annually.</p>	<p>Partially implemented. See current year finding 13-02.</p>
	<ul style="list-style-type: none">• One student that did not have an SEC on file.• Eight students with a SEC that did not have a DSPS professional staff evaluate and document the progress made towards the established goals.		

CONTINUING DISCLOSURE INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2013

Assessed valuation for fiscal year 2012-13	\$50,913,638,367	(2)
Secured tax levies for fiscal year 2012-13	\$24,274,391	(1)
Secured tax delinquencies for fiscal year 2012-13	\$738,425	(1)
Secured tax collections for fiscal year 2012-13	\$23,535,966	(1)

2012-13 Largest Local Secured Taxpayers (2)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2012-13 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1. Participants in Long Beach Unit	Industrial – Petroleum	\$1,504,836,248	3.16%
2. Total Terminals International LLC	Industrial – Terminal Operations	637,540,059	1.34
3. The Boeing Company	Industrial	414,214,601	0.87
4. Tidelands Oil Production Co.	Industrial – Petroleum	412,986,818	0.87
5. International Trans Service Inc.	Industrial – Terminal Operations	353,069,892	0.74
6. Pacific Maritime Services LLC	Industrial – Terminal Operations	297,800,000	0.62
7. Macerich Lakewood LLC	Shopping Center	281,143,305	0.59
8. SSAT Long Beach Ltd. LLC	Industrial – Terminal Operations	188,394,835	0.40
9. Massachusetts Mutual Life Insurance	Shopping Center	157,242,316	0.33
10. Legacy Partners II LB World Trade LLC	Office Building	153,840,000	0.32
11. Kilroy Realty LP	Office Building	140,537,496	0.29
12. 2009 CUSA Community Owner LLC	Apartments	123,052,800	0.26
13. Trizechahn Colony Square GP LLC	Office Building	97,343,959	0.20
14. GRE Shoreline Square LP	Office Building	96,992,858	0.20
15. Noble Utah Long Beach LLC	Hotel	92,828,096	0.19
16. 200 Oceangate LLC	Office Building	81,734,930	0.17
17. Arco Terminal Services Corp.	Industrial – Terminal Operations	81,000,000	0.17
18. Hyatt Long Beach	Hotel	73,220,055	0.15
19. DDR Urban LP	Shopping Center	65,800,000	0.14
20. SSA Terminals LLC	Industrial – Terminal Operations	<u>63,390,957</u>	<u>0.13</u>
		\$5,316,969,225	11.14%

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

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