

**LONG BEACH UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2016**



LONG BEACH UNIFIED SCHOOL DISTRICT

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June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Long Beach Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, the auditor considers 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.

INDEPENDENT AUDITOR'S REPORT

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

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

Opinion

In our opinion, the financial statements referred to in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of postemployment healthcare benefits funding progress, schedule of the District's proportionate share of the net pension liability and schedule of the District's pension 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules, and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT

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

The supplementary section, including the schedule of expenditures of federal awards, are 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 basic 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 supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the 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 District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 28, 2016

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

This section of Long Beach Unified School District's (LBUSD) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read this special report in conjunction with the financial statements following this section.

ABOUT LONG BEACH UNIFIED SCHOOL DISTRICT

Established in 1885 with fewer than a dozen students meeting in a borrowed tent, LBUSD now educates over 77,000 students in eighty-three (83) K-12 schools, one adult school and two (2) charter schools in the cities of Long Beach, Signal Hill, Santa Catalina Island, the major portion of Lakewood and unincorporated Los Angeles County Territory. One of the largest school districts in California, it serves the most diverse large city in the United States, with dozens of different languages spoken by local students. The District employs more than 10,000 full and part time employees, making it the largest employer in Long Beach. The Long Beach Unified School District has earned a reputation as one of America's finest school systems, winning many awards as a national model of excellence.

Financial Highlights

- Due to a change in accounting principle in 2014-15 fiscal year related to assigning proportional expense due to the STRS and PERS pension liability state-wide, the District's net position became negative last year. As the District continues to recognize the STRS and PERS pension liability, an increase in the net position serves to reduce the negative position.
- Overall revenues and other financing sources totaled \$1.038 billion or \$74.5 million more than expenditures. This represents a 17.6% increase to the District's net position after removing the adjustment for the cumulative effect of the change in accounting principle that occurred in 2014-15 fiscal year.
- The District's total long term debt obligations increased during the year. Future pension expense added \$90.8 million to long term debt obligations (see Note 7 on page 29).
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including the reserve for economic uncertainties and the balance in the Special Reserve Fund for Other than Capital Outlay Projects was \$153.7 million or 18.5% of total General Fund expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Overview of the Financial Statements

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

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

The financial statements also include notes that provide explanations or more detailed information. The financial statements comparing the District's General Fund budgeted to actual amounts for the year are supplemented by a narrative on significant variances starting on page vi (see page 56).

District-Wide Statements

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

The following District-wide statements report on the District's net position and how they have changed during the 2015-16 fiscal year. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health.

- Over time, increases or decreases in net position are an indicator of whether the District's financial position is improving or deteriorating.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- To assess the District's overall fiscal health, additional non-financial factors such as changes in the District's property tax base, fixed assets, and the physical condition of school buildings and other facilities are taken into consideration.

Summary of Statement of Net Position

	As of 6/30/2015	As of 6/30/2016	Variance
Non-Capital Assets	\$ 635,943,213	\$ 612,814,396	-3.64%
Capital Assets	882,678,749	954,446,456	8.13%
Total Assets	<u>1,518,621,962</u>	<u>1,567,260,852</u>	3.20%
Deferred charge on refunding	3,809,516	16,805,482	341.14%
Deferred outflows of resources - pension contributions	45,065,296	63,277,450	40.41%
Total Deferred Outflows of Resources	<u>48,874,812</u>	<u>80,082,932</u>	63.85%
Current Liabilities	196,143,387	187,747,261	-4.28%
Long-term Liabilities	1,438,831,622	1,529,781,473	6.32%
Total Liabilities	<u>1,634,975,009</u>	<u>1,717,528,734</u>	5.05%
Deferred Inflows of Resources - pension	151,287,462	74,112,797	-51.01%
Total Deferred Inflows of Resources	<u>151,287,462</u>	<u>74,112,797</u>	
Invested In Capital Assets, Net of Related Debt	297,475,413	333,479,630	12.10%
Net Position Legally Restricted	102,667,684	93,278,869	-9.14%
Net Position Unrestricted	(618,908,794)	(571,056,246)	-7.73%
Total Net Position	<u>\$ (218,765,697)</u>	<u>\$ (144,297,747)</u>	

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The District's combined net position increased from \$(218) million at the end of 2014-15 fiscal year to \$(144) million at the end of 2015-16 fiscal year, with the negative positions due to the change in accounting principle regarding the state STRS and PERS pension liability. Between years, the net position of the district increased \$74.5 million.

Summary of Statement of Activities

	<u>2014-15</u>	<u>2015-16</u>	Variance
Program Revenues:			
Charges for Services	\$ 5,154,488	\$ 5,049,819	-2.03%
Operating Grants and Contributions	215,057,460	214,242,791	-0.38%
Capital Grants and Contributions	19,761,780	23,536,911	19.10%
General Revenues:			
Property Taxes	153,584,029	186,931,254	21.71%
Federal and State Aid Unrestricted	510,180,027	594,664,637	16.56%
Interest, Investment and Miscellaneous	<u>12,455,321</u>	<u>13,248,164</u>	6.37%
Total Revenues	<u>916,193,105</u>	<u>1,037,673,576</u>	13.26%
Instruction and Related Services	644,463,987	670,036,804	3.97%
Pupil Services	85,806,860	94,299,385	9.90%
General Administration	32,230,619	38,431,544	19.24%
Ancillary, Community, and			
Enterprise Activities	8,360,268	9,455,889	13.11%
Plant Services	101,751,969	115,459,017	13.47%
Debt Service	26,636,370	33,978,615	27.56%
Other Outgo	<u>745,724</u>	<u>1,544,372</u>	107.10%
Total Expenses	<u>899,995,797</u>	<u>963,205,626</u>	7.02%
Change in Net Position	<u>16,197,308</u>	<u>74,467,950</u>	-359.76%
Net Position, Beginning, as Originally Stated	424,268,668	(218,765,697)	
Cumulative Effect of Change in Accounting Principle	<u>(659,231,673)</u>		
Net Position, Beginning, as Restated	<u>(234,963,005)</u>	<u>(218,765,697)</u>	
Net Position, Ending	<u><u>\$(218,765,697)</u></u>	<u><u>\$(144,297,747)</u></u>	

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Total revenues increased between 2014-15 fiscal year and 2015-16 fiscal year. The major contributor was the increase in state funding through the accelerated implementation of the local control funding formula (LCFF). LCFF replaced the prior state funding formula (revenue limit) and is estimated to take eight years to be fully funded. LCFF “target funding” is based on tiered funding for grade levels and “supplemental” and “concentration” funding for the neediest students – students qualifying for free or reduced lunches, English language learners, foster youth and homeless students. The State is providing a percentage of the gap between current funding and target funding each year until 2020-2021, when full target funding is to be implemented. Relatively healthy state revenues have been used to accelerate the implementation of LCFF to over 95%, which has provided the District funding to better serve its neediest students.

Target funding estimates at full implementation will provide an estimated additional \$222 million per year for LBUSD. This increase in funding and emphasis on education in California has changed dramatically the educational opportunities available to the students of the district.

General revenues increased \$119 million between years, while revenue for grants and contributions increased \$3 million. Revenues given as one-time have been set aside primarily for one-time expenditures. Expenditures increased as the District used the supplemental and concentration funds to serve students. Increased targeted funding sources will cause the District’s expenditures to increase, but extreme caution will be exercised to ensure that expenditures can be adjusted quickly to match the percentages of LCFF gap funding provided by the State.

Fund Financial Statements

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

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

The District operates three types of funds:

- **Governmental funds** (see pages 4 and 6). Most of the District’s basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other assets can readily be converted to cash flow and (2) the amount of funds remaining at year-end for subsequent year spending. Therefore, the governmental fund statements provide a detailed, short-term view to assist the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs and activities.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- **Internal service funds** (see pages 8, 9 and 10). The District uses internal service funds to report proprietary activities that provide services to its other program activities. The District currently has one internal service fund – the Self-Insurance Fund.
- **Fiduciary funds** (see pages 11 and 12). The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds at schools. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets are entrusted. The District excludes these activities from the District-wide financial statements because it is prohibited from using these assets to finance its operations.

Financial Analysis of the District's Funds

As the district completed the year, its governmental funds reported combined fund balances of \$445.3 million, compared to last year's combined ending balances of \$459.6 million. The General Fund increased by \$61.8 million as the district assigned one time funds for future one time uses. The Building Fund ending balance decreased by \$61.4 million between years as bond funds were spent on multiple projects including major modernization to Jordan High School, significant progress on a new high school campus, modernization of high school auditoriums, continuation of technology infrastructure for all campuses and numerous smaller renovations or modernizations to sites.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget several times. Revenues for grants and entitlements from federal, state and local resources are budgeted as sources are identified throughout the year. Appropriations for expenditures are made throughout the year when new sources of revenue are identified.

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

- Expenditure categories generally reflected lower amounts than the final budgeted amount. The balances that were generated by restricted grants and entitlements will become carryover funds for 2016-17 fiscal year.
- The expenditure category of Books and Supplies includes amounts that are being held in reserve in the Revised Final Budget.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Summary of General Fund Budgetary Highlights

	Budgeted Amounts		Actual Amounts	Variance with Revised Final Budget - Positive (Negative)	
	Original	Revised Final			
Revenues:					
LCFF Sources	\$ 666,432,760	\$ 664,125,070	\$ 665,941,307	\$ 1,816,237	0.27%
Federal Sources	61,624,390	67,888,612	55,782,823	(12,105,789)	-17.83%
Other State Sources	123,929,331	135,850,486	148,561,669	12,711,183	9.36%
Other Local Sources	<u>17,728,249</u>	<u>28,292,297</u>	<u>23,672,815</u>	<u>(4,619,482)</u>	-16.33%
Total Revenues	<u>869,714,730</u>	<u>896,156,465</u>	<u>893,958,614</u>	<u>(2,197,851)</u>	
Expenditures:					
Certificated Salaries	362,567,571	391,301,946	379,839,157	11,462,789	2.93%
Classified Salaries	110,231,092	120,973,304	117,090,627	3,882,677	3.21%
Employee Benefits	183,687,540	193,940,104	201,832,082	(7,891,978)	-4.07%
Books & Supplies	54,616,441	77,591,757	32,141,369	45,450,388	58.58%
Services, Other Operating Expenses	90,548,402	112,172,550	100,079,553	12,092,997	10.78%
Capital Outlay	1,406,764	3,950,906	2,145,095	1,805,811	45.71%
Other Outgo	317,450	200,000	468,576	(268,576)	-134.29%
Direct Support/Indirect Costs:	<u>(1,310,983)</u>	<u>(1,323,117)</u>	<u>(1,346,329)</u>	<u>23,212</u>	-1.75%
Total Expenditures	<u>802,064,277</u>	<u>898,807,450</u>	<u>832,250,130</u>	<u>66,557,320</u>	7.41%
Excess (Deficiency) of Revenues over Expenditures	<u>67,650,453</u>	<u>(2,650,985)</u>	<u>61,708,484</u>	<u>64,359,469</u>	-2427.76%
Other financing sources (uses):					
Transfers in	-	-	<u>2,200,000</u>	<u>(2,200,000)</u>	0.00%
Total Other financing sources (uses):	<u>-</u>	<u>-</u>	<u>2,200,000</u>	<u>(2,200,000)</u>	
Net change in fund balance	<u>\$ 67,650,453</u>	<u>\$ (2,650,985)</u>	63,908,484	<u>\$ 62,159,469</u>	
Fund balance - July 1, 2015			<u>115,139,566</u>		
Fund balance - June 30, 2016			<u>\$ 179,048,050</u>		

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Capital Assets and Long-Term Debt (See pages 28 and 29)

Capital Assets

By the end of fiscal year 2015-16, the District had invested \$1.41 billion in a broad range of capital assets, including land, land improvements, buildings, work in progress, vehicles, machinery and equipment. This amount represents an increase of \$87.5 million, or 6.6% over last year. This increase is partially due to the progress being made on Jordan High School and a new high school campus scheduled to open in August 2017.

Long-Term Debt

At year-end, the District had \$1.57 billion in long-term debt. General Obligation Bonds accounted for \$820.5 million, including related premium and accreted interest. The District's current bond rating is AA2. The remaining \$750 million in long-term debt represents the value of accumulated employee vacation time, the net OPEB obligation, capital leases and the net pension liability in the amount of \$646 million required to be reported in the financial statements per GASB 68 and GASB 71.

Economic Factors That May Affect the Future

The local control funding formula (LCFF) for schools is supplying much-needed dollars toward reducing the achievement gap in our state and is scheduled to reach full implementation in 2020-21. As long as state revenues meet or exceed projections, schools should receive the scheduled increases in funding. Healthy state revenues have already accelerated the implementation of LCFF and the early additional funds allowed districts to implement programs for needy students more quickly than originally estimated. The voters in California have shown support for education by passing Proposition 55 in November 2016, extending the personal income tax increase originally generated from Proposition 30 for an additional 12 years. This increased funding source will not expire until the year 2030. While this does not necessarily provide additional funding over current levels, it helps to stabilize current levels of funding for future planning and programs for students.

Federal dollars are uncertain. Categorical programs such as Title I are being reduced for the district based on decreased student eligibility and reduced per pupil funding.

Contacting the District's Financial Management

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

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

FUNDS AND DEFINITIONS OF ACCOUNTING TERMS

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

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

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

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

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the school district. The board of supervisors of the county issues the bonds and the proceeds are deposited in the county treasury to the Building Fund of the District. The county auditor maintains control over the fund. Principal and interest on the bonds is paid by the county treasurer from taxes levied by the county auditor-controller. Expenditures in this fund are limited to bond interest, redemption and related costs.

FINANCIAL SECTION

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 557,364,941
Cash on hand and in banks	4,744,065
Cash in revolving fund	1,233,225
Cash collections awaiting deposit	1,090
Accounts receivable	
Federal and state governments	36,737,299
Local governments	6,891,609
Miscellaneous	2,455,824
Inventories	2,449,770
Prepaid expenses and other assets	936,573
Land	113,922,550
Construction in progress	190,396,602
Depreciable assets, net	650,127,304
Total Assets	1,567,260,852
 <u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	16,805,482
Deferred outflows - pension contributions	63,277,450
Total Deferred Outflows of Resources	80,082,932
 <u>Liabilities</u>	
Accounts payable and other current liabilities	74,222,743
Accrued interest payable	12,197,574
Unearned revenue	12,849,941
Estimated liability for open claims and IBNR's	47,778,180
Current portion of long-term liabilities	
General obligation bonds	32,015,000
Compensated absences	8,683,823
Non-current portion of long term liabilities	
General obligation bonds	788,438,798
Compensated absences	3,077,037
Other postemployment benefits	92,400,750
Net pension liability	645,864,888
Total Liabilities	1,717,528,734
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pension	74,112,797
Total Deferred Inflows of Resources	74,112,797
 <u>Net Position</u>	
Net investment in capital assets	333,479,630
Restricted for:	
Debt service	39,587,742
Educational programs	30,481,056
Capital projects	16,329,709
Other programs	6,880,362
Unrestricted	(571,056,246)
Total Net Position	\$ (144,297,747)

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 573,731,293	\$ 504,299	\$ 123,276,951	\$	\$ (449,950,043)
Instruction - related services	96,305,511	198,926	29,298,299		(66,808,286)
Pupil services	94,299,385	3,916,261	45,423,216		(44,959,908)
Ancillary services	1,063,137	196	11,464		(1,051,477)
Community services	8,084,331	1,246	554,704		(7,528,381)
Enterprise activities	308,421				(308,421)
General administration	38,431,544	50,989	5,799,779		(32,580,776)
Plant services	115,459,017	377,850	8,162,375	23,536,911	(83,381,881)
Other outgo	1,544,372	52	1,716,003		171,683
Debt service - interest	33,978,615				(33,978,615)
Total District	<u>\$ 963,205,626</u>	<u>\$ 5,049,819</u>	<u>\$ 214,242,791</u>	<u>\$ 23,536,911</u>	<u>(720,376,105)</u>
General Revenues					
Property taxes levied for					
General purposes					130,410,020
Debt service					49,487,949
Other specific purposes					7,033,285
Federal and state aid not restricted to specific purposes					594,664,637
Interest and investment earnings					1,599,453
Miscellaneous					11,648,711
Total General Revenues and Special Items					<u>794,844,055</u>
Change in net position					74,467,950
Net Position - Beginning of Year					<u>(218,765,697)</u>
Net Position - End of Year					<u>\$ (144,297,747)</u>

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 214,913,519	\$ 194,166,749	\$ 51,785,316	\$ 19,702,049	\$ 480,567,633
Cash on hand and in banks				4,744,065	4,744,065
Cash in revolving fund	401,900			1,325	403,225
Cash collections awaiting deposit				1,090	1,090
Accounts receivable					
Federal and state governments	29,276,535			7,460,764	36,737,299
Local governments	1,912,956				1,912,956
Miscellaneous	1,332,836	640,930		141,364	2,115,130
Due from other funds	5,698,015				5,698,015
Inventories	1,513,013			936,757	2,449,770
Prepaid expenditures and other assets	622,541	310,875		3,157	936,573
Total Assets	<u>\$ 255,671,315</u>	<u>\$ 195,118,554</u>	<u>\$ 51,785,316</u>	<u>\$ 32,990,571</u>	<u>\$ 535,565,756</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 57,176,851	\$ 12,437,064	\$ -	\$ 2,104,018	\$ 71,717,933
Due to other funds				5,698,015	5,698,015
Unearned revenue	12,843,147			6,794	12,849,941
Total Liabilities	<u>70,019,998</u>	<u>12,437,064</u>	<u>-</u>	<u>7,808,827</u>	<u>90,265,889</u>
Fund Balances					
Nonspendable	2,515,875	310,875		941,239	3,767,989
Restricted	29,450,622	182,370,615	51,785,316	24,240,505	287,847,058
Assigned	60,803,267				60,803,267
Unassigned	92,881,553				92,881,553
Total Fund Balances	<u>185,651,317</u>	<u>182,681,490</u>	<u>51,785,316</u>	<u>25,181,744</u>	<u>445,299,867</u>
Total Liabilities and Fund Balances	<u>\$ 255,671,315</u>	<u>\$ 195,118,554</u>	<u>\$ 51,785,316</u>	<u>\$ 32,990,571</u>	<u>\$ 535,565,756</u>

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances - governmental funds \$ 445,299,867

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,409,992,208 and the accumulated depreciation is \$455,545,756. The net value of capital assets is: 954,446,456

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the funds 4,978,653

The accrued interest for general obligation bonds is: (12,197,574)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

General obligation bonds principal payable	(748,260,702)	
Unmatured premium general obligation bonds	(58,926,259)	
Accreted interest on capital appreciation bonds	(13,266,837)	
Compensated absences payable	(11,760,860)	
Net other postemployment benefits obligation	(92,400,750)	
Net pension liability	<u>(645,864,888)</u>	(1,570,480,296)

In governmental funds, deferred outflows and inflows of resources related to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows - pensions	63,277,450	
Deferred inflows - pensions	<u>(74,112,797)</u>	(10,835,347)

An internal service fund is used by the District to manage its Self-Insurance Fund. The assets and liabilities of the Self-Insurance Fund are included under governmental activities in the statement of net assets. 27,685,012

Deferred charge on refunding to be amortized over the life of the refunded or refunding debt 16,805,482

Total net position - governmental activities \$ (144,297,747)

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016**

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources:					
State apportionments	\$ 535,804,247	\$	\$	\$	\$ 535,804,247
Local sources	130,137,060				130,137,060
Total local control funding formula sources:	665,941,307				665,941,307
Federal sources	55,782,823		3,553,513	51,521,616	110,857,952
Other state sources	148,561,669		336,173	35,792,670	184,690,512
Other local sources	23,740,927	1,758,762	49,557,518	14,887,992	89,945,199
Total Revenues	894,026,726	1,758,762	53,447,204	102,202,278	1,051,434,970
Expenditures					
Instruction	540,998,365			20,089,796	561,088,161
Instruction - related services	91,205,396			4,304,029	95,509,425
Pupil services	54,640,711			38,928,210	93,568,921
Ancillary services	1,060,462				1,060,462
Community services	7,952,412				7,952,412
Enterprise activities	336,830				336,830
General administration	38,073,260			1,434,604	39,507,864
Plant services	97,583,066	81,302,656		26,009,195	204,894,917
Other outgo	399,628	1,750		1,145,211	1,546,589
Debt service			225,077,542		225,077,542
Total Expenditures	832,250,130	81,304,406	225,077,542	91,911,045	1,230,543,123
Excess (deficiency) of revenues over expenditures	61,776,596	(79,545,644)	(171,630,338)	10,291,233	(179,108,153)
Other Financing Sources (Uses)					
Proceeds from sale of bond			164,836,795		164,836,795
Interfund transfers in		18,101,490			18,101,490
Interfund transfers out				(18,101,490)	(18,101,490)
Total Other Financing Sources	-	18,101,490	164,836,795	(18,101,490)	164,836,795
Net changes in fund balance	61,776,596	(61,444,154)	(6,793,543)	(7,810,257)	(14,271,358)
Fund Balances at Beginning of Year	123,874,721	244,125,644	58,578,859	32,992,001	459,571,225
Fund Balances at End of Year	\$ 185,651,317	\$ 182,681,490	\$ 51,785,316	\$ 25,181,744	\$ 445,299,867

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ (14,271,358)

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

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

Capital outlay	92,489,130	
Depreciation expense	<u>(20,697,247)</u>	
Excess (deficiency) of capital outlay over depreciation expense		71,791,883

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

Net loss on vehicles and equipment	(24,176)
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Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond proceeds and premium	(164,836,795)	
Repayment of bond principal	172,515,000	
Net increase in accreted interest	(5,270,913)	
Bond premium, current year amortization	10,275,189	
Net increase in deferred charge on refunding	12,995,966	
Decrease in accrued interest expense	<u>210,381</u>	
Change in bond activity		25,888,828

In governmental funds, capital lease payments are reported as expenditures. In the statement of activities, repayments of long term debt are reported as reduction of liabilities. Capital lease payments in the current year were:

2,217

In the statement of activities, certain operating expenses - compensated absences (vacations), - are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$783,141.

(783,141)

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

914,994

An internal service fund is used by the District to manage the Self-Insurance Fund. The net income of \$1,271,056 is reported with governmental activities.

1,271,056

Certain items such as postemployment benefits other than pensions reported in the statement of activities do not result in, or require, the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds.

(14,845,276)

In governmental funds, pension costs are recognized when employer contributions are made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was:

4,522,923

Change in net position of governmental activities

\$ 74,467,950

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2016

	Governmental Activities:
	Internal Service Fund
	Self-Insurance Fund
<u>Assets</u>	
Cash in county treasury	\$ 76,797,308
Cash in revolving fund	830,000
Accounts receivable	
Miscellaneous	340,694
Total Assets	77,968,002
<u>Liabilities</u>	
Accounts payable	2,504,810
Estimated liability for open claims incurred but not recorded	47,778,180
Total Liabilities	50,282,990
<u>Net Position</u>	
Restricted	27,685,012
Total Net Position	\$ 27,685,012

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 For the Fiscal Year Ended June 30, 2016**

	Governmental Activities:
	Internal Service Fund
	Self-Insurance Fund
Operating Revenues	
Self-insurance premiums	\$ 77,175,279
Total Operating Revenues	77,175,279
 Operating Expenditures	
Salaries	259,744
Benefits	100,862
Other Supplies	46,223
Payments for health and welfare claims	75,955,694
Total Operating Expenditures	76,362,523
 Net operating income	812,756
 Non-Operating Revenues	
Interest income	458,300
Total Non-Operating Revenues	458,300
 Change in net position	1,271,056
 Net Position at Beginning of Year	26,413,956
 Net Position at End of Year	\$ 27,685,012

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Fiscal Year Ended June 30, 2016**

	Governmental Activities:
	Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 77,136,713
Cash paid for operating expenditures	(74,496,835)
Net cash provided by operating activities	2,639,878
 Cash Flows from Investing Activities	
Interest income	526,561
Net cash provided by investing activities	526,561
 Net increase in cash	3,166,439
 Cash and cash equivalents - July 1, 2015	74,460,869
Cash - June 30, 2016	\$ 77,627,308
 Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 812,756
Changes in operating assets and liabilities:	
Accounts receivable	(38,566)
Accounts payable	196,184
Estimated liability for open claims incurred but not recorded	1,669,504
Total adjustments	1,827,122
Net cash provided by operating activities	\$ 2,639,878
 Cash balances at June 30, 2016 consisted of the following:	
Cash in county treasury	\$ 76,797,308
Cash in revolving fund	830,000
Total cash	\$ 77,627,308

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Associated Student Body Funds
<u>Assets</u>	
Cash on hand and in banks	\$ 5,161,247
Accounts receivable:	
Miscellaneous	14,592
Stores inventory	13,280
Total Assets	5,189,119
 <u>Liabilities</u>	
Accounts payable	280,648
Funds held in trust	3,727,546
Total Liabilities	4,008,194
 <u>Net Position</u>	
Unrestricted	1,180,925
Total Net Position	\$ 1,180,925

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2016

	Associated Student Body Funds
Additions	
Revenue from local sources	\$ 3,728,479
Total Additions	3,728,479
 Deductions	
Other expenses	4,092,657
Total Deductions	4,092,657
Changes in net position	(364,178)
Net Position - Beginning of Year	1,545,103
Net Position - End of Year	\$ 1,180,925

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

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

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

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

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

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

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

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

Enterprise Activities: includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with self-insurance funds and retiree benefit funds.

General Administration: includes data processing services and all other general administration services.

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

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

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

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

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. The Special Reserve Fund (Other than Capital Outlay) and the Deferred Maintenance Fund no longer meet the definition of a special revenue fund as they are no longer primarily composed of restricted or committed revenue sources. Therefore, all activities of these funds are reported in the General Fund.

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

Debt Service Fund: used to account for the financial resources that are restricted and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs. The District maintains the Debt Service Fund to account for bond interest and redemption of general obligation bond principal.

Governmental Funds – Non-Major

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

Adult Education Fund: used to account for resources restricted or committed to adult education programs maintained by the District.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Child Development Fund: used to account for resources committed to child development programs.

Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's food and nutrition service program.

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

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

County School Facilities Fund: used to account for the School Facility Program grants award for modernization and new construction of various school sites.

Special Reserve Fund: used to account for specific board-approved capital expenditures.

Proprietary Funds

Self-Insurance Fund: used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund consists of Health, Vision and Dental Insurance and Workers' Compensation Insurance Programs – used to account for resources committed to the District's health, vision, dental and workers' compensation insurance programs. This fund is also used to account for retiree health care costs and reserves for future payments related to other postemployment benefits and to account for resources committed to the District's self-insurance program for property loss or damage.

Fiduciary Funds

Associated Student Body Funds: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates 34 separate Associated Student Body funds.

Agency Activities

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 (\$375,180) on June 30, 2016, which represents a prepayment of withholdings payable.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2016, the inventory for supplies is \$1,513,013. The inventory for food is \$936,757.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2016, 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 expense/expenditure is reported in the year in which goods or services are consumed.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: 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.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

11 to the financial statements.

Unearned Revenue

Cash received for federal and state special projects and programs 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.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources, results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion, the effect of changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Spending Order Policy

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

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

Minimum Fund Balance Policy

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

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are recorded in the year computed by the State.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes

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

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 California 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 local control funding formula purposes. Property taxes for debt service purposes have been accrued in the Government-wide financial statements.

On-Behalf Payments

GAAP 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 school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

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

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, federal and most state and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 District Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. 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:

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

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

Long Beach Education Foundation: The Foundation is a separate not-for-profit corporation

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

established with the express purpose of promoting and assisting the educational program of the District in accordance with the mission, policies and priorities of the District. The Foundation Board of Directors is selected independent of any District Governing Board elections. The Foundation Board is responsible for approving its own budget and related accounting and finance activities. Separate financial statements for this entity can be obtained through the District.

California State University Dominguez Hills Foundation: The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors is elected independent of any District Governing Board appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. The Foundation supports some functions of the California Academy of Mathematics and Science (CAMS) – a high school under the jurisdiction of the District.

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

Charter Schools: Clear Passage Educational Center, and Intellectual Virtues Academy– These charter schools receive funding directly from other government agencies and have a separate governing board. Separate financial statements for these entities can be obtained through the District.

NOTE 2: BUDGETS

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

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2016, \$13,245,510 of the District's bank balance of \$14,743,777 was exposed to credit risk as follows:

<u>District's Bank Balance</u>	<u>June 30, 2016</u>
Uninsured and collateral held by pledging bank's trust department not in the District's name.	\$ 12,428,358
Uninsured and uncollateralized	<u>817,152</u>
Total	<u>\$ 13,245,510</u>

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.1168% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 3: DEPOSITS AND INVESTMENTS

Angeles, CA 90012.

NOTE 4: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2016 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 5,698,015	\$
Non-Major Governmental Funds:		
Child Development Fund		150,000
Cafeteria Fund		5,548,015
Total	\$ 5,698,015	\$ 5,698,015

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. During the fiscal year 2015-16, interfund activity occurred between funds that were consolidated with the General Fund in accordance with GASB, No. 54. Activities that occurred between these funds have been eliminated.

The remaining interfund transfers for the 2015-16 fiscal year are as follows:

Transfer from the County School Facilities Fund to the Building Fund for State OPSC funding for school projects.	\$ 18,101,490
Total	\$ 18,101,490

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 5: FUND BALANCES

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Cash in revolving fund	\$ 401,900	\$	\$	\$ 1,325	\$ 403,225
Inventories	1,513,013			936,757	2,449,770
Prepaid expenditures	600,962	310,875		3,157	914,994
Total nonspendable	<u>2,515,875</u>	<u>310,875</u>	<u>-</u>	<u>941,239</u>	<u>3,767,989</u>
Restricted:					
Legally restricted programs	29,450,622			1,030,434	30,481,056
Capital projects		182,370,615		16,329,709	198,700,324
Child development program				892,655	892,655
Cafeteria program				5,987,707	5,987,707
Debt service			51,785,316		51,785,316
Total restricted	<u>29,450,622</u>	<u>182,370,615</u>	<u>51,785,316</u>	<u>24,240,505</u>	<u>287,847,058</u>
Assigned:					
One-time Board approved expenses	35,900,000				35,900,000
Early learning initiative	4,300,000				4,300,000
CalSTRS and CalPERS pension reform	14,000,000				14,000,000
One-time technology upgrades	6,603,267				6,603,267
Total assigned	<u>60,803,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,803,267</u>
Unassigned:					
Economic uncertainties	16,646,382				16,646,382
Unassigned	76,235,171				76,235,171
Total unassigned	<u>92,881,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,881,553</u>
Total fund balance	<u>\$ 185,651,317</u>	<u>\$ 182,681,490</u>	<u>\$ 51,785,316</u>	<u>\$ 25,181,744</u>	<u>\$ 445,299,867</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2016 is shown below.

Governmental Activities

	Balance			Balance
	July 1, 2015	Additions	Retirements	June 30, 2016
Capital assets not being depreciated:				
Land	\$ 113,922,550	\$	\$	\$ 113,922,550
Construction in progress	230,612,172	80,702,391	(120,917,961)	190,396,602
Total capital assets not being depreciated	<u>344,534,722</u>	<u>80,702,391</u>	<u>(120,917,961)</u>	<u>304,319,152</u>
Capital assets being depreciated:				
Land improvements	36,529,208	44,052		36,573,260
Buildings and improvements	856,597,349	131,035,261		987,632,610
Books and media in library	20,159,084		(620,279)	19,538,805
Vehicles	13,907,989	148,198	(153,073)	13,903,114
Machinery and equipment	50,807,063	1,477,189	(4,258,983)	48,025,269
Total capital assets being depreciated	<u>978,000,693</u>	<u>132,704,700</u>	<u>(5,032,335)</u>	<u>1,105,673,058</u>
Less accumulated depreciation for:				
Land improvements	(17,777,237)	(1,202,039)		(18,979,276)
Buildings and improvements	(351,121,001)	(15,357,923)		(366,478,924)
Books and media in library	(19,501,489)	(423,080)	620,279	(19,304,290)
Vehicles	(12,046,744)	(642,863)	153,073	(12,536,534)
Machinery and equipment	(39,410,195)	(3,071,342)	4,234,807	(38,246,730)
Total accumulated depreciation	<u>(439,856,666)</u>	<u>(20,697,247)</u>	<u>5,008,159</u>	<u>(455,545,754)</u>
Depreciable assets, net	538,144,027	112,007,453	(24,176)	650,127,304
Governmental activities capital assets, net	<u>\$ 882,678,749</u>	<u>\$ 192,709,844</u>	<u>\$ (120,942,137)</u>	<u>\$ 954,446,456</u>

Depreciation expense was allocated to the following functions:

<u>Government Activities</u>	
Instruction	\$15,388,553
Instruction – Related Services	535,415
Pupil Services	508,673
General Administration	2,310,196
Plant Services	<u>1,954,410</u>
Net governmental activities depreciation expense	<u>\$20,697,247</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below.

Governmental Activities

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
Capital leases	\$ 2,217	\$	\$ (2,217)	\$ -	\$
General obligation bonds	781,405,702	139,370,000	(172,515,000)	748,260,702	32,015,000
Capital appreciation interest	7,995,924	5,270,913		13,266,837	
Premium on general obligation bonds	43,734,653	25,466,795	(10,275,189)	58,926,259	
Total general obligation bonds	833,136,279	170,107,708	(182,790,189)	820,453,798	32,015,000
Compensated absences	10,977,719	783,141		11,760,860	8,683,823
Postemployment healthcare benefits	77,555,474	14,845,276		92,400,750	
Net pension liability	555,000,992	90,863,896		645,864,888	
Total	<u>\$ 1,476,672,681</u>	<u>\$ 276,600,021</u>	<u>\$ (182,792,406)</u>	<u>\$ 1,570,480,296</u>	<u>\$ 40,698,823</u>

Compensated absences, capital leases and net OPEB obligations are liquidated by the General Fund. Pension liabilities are liquidated by the funds reporting salaries. General obligation bond liabilities are liquidated through property tax collections as administered by the County Office of Auditor–Controller through the Debt Service Fund.

NOTE 8: 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:

Year Ending June 30,	Lease Payment
2017	\$ 1,242,317
2018	1,217,055
2019	694,514
2020	124,744
2021	65,020
2022	5,566
Total	<u>\$ 3,349,216</u>

Current year expenditures for operating leases is approximately \$1.1 million. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

Measure A Series

On March 30, 1999, the District voters approved the issuance of \$295,000,000 of general obligation bonds under the provisions of Title 1, Division 1, Part 10, Chapter 2 of the State of California Education Code, commencing with 15100. The District has offered the following general obligation bonds for sale: Series A for \$25,000,000 (July 15, 1999), Series B for \$30,000,000 (July 1, 2000), Series C for \$60,000,000 (August 1, 2001), Series D for \$40,000,000 (May 1, 2002), Series E for \$60,000,000 (May 1, 2003), Series F of \$50,000,000 (June 1, 2004), and Series G \$14,345,000 of current interest bonds and \$15,650,606 of capital appreciation bonds (July 17, 2008). The bonds were issued to finance various capital improvements in particular to upgrade outdated heating, plumbing, ventilation and electrical systems, rehabilitate 50 year old classrooms, repair leaky roofs, upgrade classroom electrical systems for computers, and build new classrooms and schools to eliminate overcrowding and allow students to attend neighborhood schools.

Refunding Bond Series

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

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

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

On April 19, 2011, the District issued 2011 General Obligation Refunding Bonds, Series D of \$11,330,000 current interest serial bonds. The bonds were issued to refund certain outstanding general obligation bonds Series E of the District and to pay the cost of issuance associated with the Refunding Bonds.

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

costs of issuance associated with the Refunding Bonds.

On April 14, 2016, the District issued 2016 General Obligation Refunding Bonds of \$139,370,000. The bonds were issued to advance refund certain outstanding general obligation bonds, Series G (Measure A) and Series A (Measure K) and certain outstanding general obligation refunding bonds 2008 refunding and Series B refunding and to pay the costs of issuance associated with the Refunding Bonds. The refunding resulted in a cash flow savings of \$20,831,864. The present value of the economic gain to the District and taxpayers is \$18,347,002.

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 \$3,102,565 (2010 Refunding), \$1,729,692 (2012 Refunding) and \$13,362,567 (2016 Refunding). Amortization of \$366,601 was recognized during the 2015–16 year.

Proceeds associated with each refunding was deposited into an irrevocable escrow account for future repayment. At June 30, 2016 outstanding balances due to be paid by the escrow agent in relation to the 2016 refunding was \$160,303,000. The outstanding balance is scheduled for final redemption by August 1, 2019.

Measure K Series

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

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

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

On May 15, 2013, the District issued General Obligation Bonds, Election 2008, Series C of \$50,000,000 serial bonds. These bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District sites and facilities and to pay the costs of issuing these bonds.

On February 19, 2015, the District issued General Obligation Bonds, Election 2008, Series D of \$180,000,000 current interest serial bonds and Series D-1 of \$89,998,410 capital appreciation bonds. These bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District sites and facilities and to pay the costs of issuing these bonds.

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year commencing, February 1, 2009 (Series G and 2008 Refunding Bond), August 1, 2009 (Refunding Bond, Series B and Measure K, Series A), August 1, 2010 (Refunding Bond, Series A), August 1, 2011 (Refunding Bond, Series D and Measure K, Series B), August 1, 2012 (Refunding Bond, Series E), August 1, 2013 (Measure K, Series C), August 1, 2015 (Measure K, Series D) and August 1, 2016 (2016 Refunding). The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Capital appreciation bonds were issued as part of the Measure A, Series G issuance with maturity dates from August 1, 2023 through 2033; capital appreciation bonds were issued as part of the Measure K, Series B issuance with maturity dates from August 1, 2034 through 2035; and capital appreciation bonds were issued as part of the Measure K, Series D-1 issuance with maturity dates from August 1, 2026 through 2039. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
Measure A:					
Series G	7/17/2008	8/01/2033	3.50-5.44	\$ 29,995,606	\$ 19,825,606
Accreted Interest					7,574,397
Total Measure A				<u>29,995,606</u>	<u>27,400,003</u>
Refunding Bonds:					
2008 Refunding	7/17/2008	8/01/2022	2.57-4.28	38,320,000	19,170,000
Series B	4/07/2009	8/01/2029	3.00-5.25	28,465,000	1,500,000
Series A	2/03/2010	8/01/2029	2.50-5.125	51,720,000	44,610,000
Series D	4/19/2011	8/01/2024	3.00-5.25	11,330,000	8,260,000
Series E	3/27/2012	8/01/2033	1.00-5.00	81,780,000	79,675,000
2016 Refunding	4/14/2016	8/01/2033	3.00-5.00	<u>139,370,000</u>	<u>139,370,000</u>
Total Refunding				<u>350,985,000</u>	<u>292,585,000</u>
Measure K:					
Series A	4/07/2009	8/01/2033	3.50-5.00	260,000,000	66,235,000
Series B	4/19/2011	8/01/2035	7.26-7.33	3,020,686	3,020,686
Accreted Interest					2,173,313
Series B-1	4/19/2011	8/01/2025	5.314-5.914	72,406,000	72,406,000
Series C	5/15/2013	8/01/2037	1.00-4.00	50,000,000	34,010,000
Series D	2/19/2015	8/01/2043	3.00-4.00	180,000,000	170,180,000
Accreted Interest					3,519,127
Series D-1	2/19/2015	8/01/2039	3.33-4.31	<u>89,998,410</u>	<u>89,998,410</u>
Total Measure K				<u>655,425,096</u>	<u>441,542,536</u>
Total				<u>\$ 1,036,405,702</u>	<u>\$ 761,527,539</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Refunding 2008; Series B; Series A; Series D; Series E; and Refunding 2016 included premiums of \$1,021,276; \$2,308,212; \$994,834; \$4,658,623; \$853,200; \$10,927,374; and \$25,466,795, respectively. The Measure K, Series A, Series B, Series C, and Series D bonds included premiums of \$15,098,514, \$5,279,810, \$1,159,724, and \$11,079,853, respectively. These amounts are amortized using the straight-line method. Amortization of \$2,600,000 was recognized during the 2015-16 year and \$7,675,189 was written off due to refunding.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

Payments – Measure A Series

The annual requirements to amortize Measure A bonds payable, outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>
2017	\$ 430,000	\$ 164,125	\$
2018	1,360,000	126,000	
2019	2,385,000	47,700	
2020			
2021			
2022-2026	3,071,424		3,808,576
2027-2031	6,628,784		12,436,216
2032-2036	5,950,398		16,179,602
Total	<u>\$ 19,825,606</u>	<u>\$ 337,825</u>	<u>\$ 32,424,394</u>

Payments – Refunding Series

The annual requirements to amortize Refunding bonds payable, outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>
2017	\$ 10,005,000	\$ 12,302,530	\$
2018	9,450,000	13,177,894	
2019	8,700,000	12,761,094	
2020	12,440,000	12,249,394	
2021	22,905,000	11,387,144	
2022-2026	76,790,000	43,789,300	
2027-2031	102,580,000	22,665,571	
2032-2036	49,715,000	2,286,575	
Total	<u>\$ 292,585,000</u>	<u>\$ 130,619,502</u>	<u>\$ -</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

Payments – Measure K Series

The annual requirements to amortize Measure K bonds payable, outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>
2017	\$ 21,580,000	\$ 15,032,949	\$
2018	17,515,000	14,180,349	
2019	17,080,000	13,363,324	
2020	14,050,000	12,633,224	
2021	4,136,000	12,198,978	
2022-2026	70,865,000	51,840,758	
2027-2031	34,039,846	38,650,722	16,950,154
2032-2036	36,055,973	36,486,476	65,074,027
2037-2041	96,388,277	31,887,198	72,176,723
2042-2044	124,140,000	7,715,400	
Total	<u>\$ 435,850,096</u>	<u>\$ 233,989,378</u>	<u>\$ 154,200,904</u>

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit health care plan. At June 30, 2016, there were 1,157 retirees receiving medical (health) benefits under the District health plan. The District pays for the health benefit coverage of eligible retirees, including employees who retire on disability, who have attained the age of 55 and have worked for the District for at least 15 or 17 years depending on their bargaining unit. Their benefits are paid until the retiree reaches the age of 65 or 67, respectively. However, in the case of disability retirees, there is no age requirement and coverage is until the person reaches age 67 or for up to 39 months, whichever comes earlier.

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

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2016, the District contributed \$10,711,981 to the plan for 791 retirees that qualified for this coverage. 366 retirees received their medical benefit coverage by paying for the coverage themselves (“self-paid”). In the fiscal year ended June 30, 2016, the District collected \$ 3,396,681 from retirees to cover the cost of the “self-paid” health benefits.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

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 following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Balance June 30, 2016</u>
Annual required contribution (ARC)	\$ 25,024,000
Interest on net OPEB obligation	3,877,774
Adjustment to ARC	<u>(3,344,517)</u>
Annual OPEB cost	25,557,257
Contributions made	<u>(10,711,981)</u>
Change in net OPEB obligation	14,845,276
Net OPEB obligation - beginning of year	<u>77,555,474</u>
Net OPEB obligation - end of year	<u><u>\$ 92,400,750</u></u>

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2016 was as follows:

<u>Year Ending June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 22,074,000	55%	\$ 65,873,365
2015	22,137,080	47%	77,555,474
2016	25,557,257	42%	92,400,750

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$327,496,000. The covered payroll (annual payroll of active employees covered by the plan) was \$441,609,000, and the ratio of the UAAL to the covered payroll was 74%. Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2016, the OPEB portion of the self-insurance fund’s designated balance was \$9,037,270.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

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

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, 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 8 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years. Both rates included a 3.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

NOTE 11: 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2016, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

retirement plans is as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS (STRP)	\$ 504,256,760	\$ 41,474,018	\$ 55,149,453	\$ 38,124,003
CalPERS (Schools Pool Plan)	141,608,128	21,803,432	18,963,344	10,794,247
Total	<u>\$ 645,864,888</u>	<u>\$ 63,277,450</u>	<u>\$ 74,112,797</u>	<u>\$ 48,918,250</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.391%	7.391%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$ 41,474,018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance
<u>Proportionate Share of Net Pension Liability</u>	<u>June 30, 2016</u>
District proportionate share of net pension liability	\$ 504,256,760
State's proportionate share of the net pension liability associated with the District	266,695,523
Total	<u>\$ 770,952,283</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.7490%.

For the year ended June 30, 2016, the District recognized pension expense of \$38,124,003 and

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

revenue of \$20,658,564 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 41,474,018	\$
Difference between expected and actual experience		8,426,250
Difference in proportion		5,618,083
Net differences between projected and actual earnings on plan investments		41,105,120
Total	\$ 41,474,018	\$ 55,149,453

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2015 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ (12,617,002)
2018	(12,617,002)
2019	(12,617,002)
2020	(12,617,002)
2021	(2,340,722)
2022	(2,340,723)
Total	\$ (55,149,453)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 761,388,460
Current discount rate (7.60%)	504,256,760
1% increase (8.60%)	290,559,570

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$13,617,525.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$141,608,128. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.9607%.

For the year ended June 30, 2016, the District recognized pension expense of \$10,794,247. At

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,710,319	\$
Difference between expected and actual experience	8,093,113	
Effect of changes in proportion		5,413,765
Net differences between projected and actual earnings on plan investments		4,848,782
Effects of changes in assumptions		8,700,797
Total	\$ 21,803,432	\$ 18,963,344

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2015 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ (6,071,916)
2018	(5,943,980)
2019	(4,668,743)
2020	5,814,408
Total	\$ (10,870,231)

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension</u>
1% decrease (6.65%)	\$ 230,479,025
Current discount rate (7.65%)	141,608,128
1% increase (8.65%)	67,706,038

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 12: ALTERNATE PENSION PLANS

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

Plan Description and Contribution Information

The Alternate Retirement System for Part-Time, Seasonal and Temporary Employees (ARS/PARS) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the ARS Plan Administrator. Eligible employees hired prior to January 1, 2002, contribute 3.75% of their covered compensation to this plan and effective November 1, 2006 the District contributes 3.75%. Eligible employees hired after January 1, 2002, contribute 7.5% of their covered compensation to this plan.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 12: ALTERNATE PENSION PLANS

covered compensation to this plan.

Retirees and beneficiaries receiving benefits		1,003
Terminated plan members entitled to but not yet receiving benefits		25,303
Active plan members		2,910
Number of participating employers		1
Contributions by Employee for the year	\$	1,492,484
Contributions by Employer for the year	\$	70,176

Long Beach Schools Business Management Authority Retirement Plan

Plan Description and Contribution Information

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

Retirees and beneficiaries receiving benefits		53
Terminated plan members entitled to but not yet receiving benefits		69
Active plan members		-
Number of participating employers		1
Contributions by Employee for the year	\$	-
Contributions by Employer for the year	\$	45,000

Plan Financial Information

The financial information for the plans is provided below as there are no separate GAAP financial statements available for them.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 12: ALTERNATE PENSION PLANS

	ARS	PARS	LBSBMA
Assets:			
Cash and cash equivalents	\$	\$	\$ 95,727
Investments, at fair value:			
U.S. Government obligations	18,142,893	9,959,262	
Total Assets	\$ 18,142,893	\$ 9,959,262	\$ 95,727
Employer	\$	\$ 70,176	\$ 45,000
Plan members		1,492,484	
Total Contributions	-	1,562,660	45,000
Investment earnings:			
Interest and dividends	9,039	4,638	190
Net Investment Earnings	9,039	4,638	190
Total Additions (Deletions)	9,039	1,567,298	45,190
Deductions:			
Benefits	463,100	416,389	177,683
Administrative expenses	105,952	52,309	807
Total Deductions	569,052	468,698	178,490
Change in net assets	(560,013)	1,098,600	(133,300)
Net assets - beginning of year	18,702,906	8,860,662	229,027
Net assets - end of year	\$ 18,142,893	\$ 9,959,262	\$ 95,727

NOTE 13: SELF-INSURANCE FUND

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through the year, the District has maintained the following self-insurance programs and accounts for them in Internal Service Funds. The District is self-insured for property and liability, health, vision, dental and workers' compensation. These funds account for and finance the uninsured portion of losses. The Deductible Insurance Fund provides general liability coverage primarily for particular property damage and bodily injury claims. The District participates in a Joint Powers Authority for claims in excess of the amount provided by the Deductible Insurance Fund

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 13: SELF-INSURANCE FUND

and for certain other risks. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, through the Deductible Insurance Fund, the District is completely self-insured for certain other types of claims, principally related to property losses due to vandalism and natural disasters.

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

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

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

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

At June 30, 2016, the District accrued the claims liability in accordance with GAAP which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is estimated at \$47,778,180. The Self Insurance Funds currently have a combined positive fund balance of \$27,685,012. This is largely due to workers' compensation balances. Changes in the reported liability are shown below:

<u>Reported Liability</u>	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	\$ 31,952,946	\$ 10,634,892	\$ 9,719,856	\$ 32,867,982
Deductible insurance	2,165,353	1,766,390	1,096,269	2,835,474
Health, vision, and dental	11,990,377	48,140,184	48,055,837	12,074,724
Total	<u>\$ 46,108,676</u>	<u>\$ 60,541,466</u>	<u>\$ 58,871,962</u>	<u>\$ 47,778,180</u>

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: JOINT POWERS AGREEMENTS

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

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

SELF arranges for and provides a self-funded or additional insurance for excess liability funding for approximately 1,250 public educational agencies. SELF is governed by a board comprised of 17 elected voting members, elected alternates and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual premium based upon the amounts calculated by SELF's board of directors and shares surpluses and deficits proportionate to its participation in SELF.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Separate financial statements for each JPA may be obtained from the respective entity.

Condensed financial information for the year ended June 30, 2016 is as follows:

	ASCIP 6/30/15 (Audited) (in thousands)	SELF 6/30/16 (Audited) (in thousands)
Total assets and deferred outflows of resources	\$ 370,259	\$ 139,086
Total liabilities and deferred inflows of resources	212,691	117,552
Fund balance	\$ 157,568	\$ 21,534
Total revenues	\$ 228,881	\$ 13,899
Total expenditures	216,378	24,554
Total net change	\$ 12,503	\$ (10,655)

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 15: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in 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.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which 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.

County School Facilities Funds

The District is currently involved in several construction and modernization projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$80.7 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Cafeteria Funds, Capital Facilities Funds, and General Funds.

NOTE 16: JOINT PARTNERSHIP

The District entered into a joint partnership agreement with the Long Beach Education Foundation (the Foundation), the Los Angeles Area Chamber of Commerce/UNITE LA, Advancement Project and the LA Partnership for Early Childhood Investment to establish and operate Educare of Los Angeles in Long Beach (Educare) as an early learning school to provide direct intensive early education and care to children from birth to age five and their families, help uplift the surrounding communities and spark the adoption of high quality early learning policies and practices throughout the region and state. Educare has been organized as a project of the Foundation and will be governed by the Foundation's Board of Directors. The Foundation Board will establish a formal Educare Advisory Board that will oversee development of annual goals, budgets and personnel decisions and act as a liaison to the Foundation Board.

Educare will construct a new center for program operations on an existing campus of the District. Operations are estimated to begin in September 2017, contingent upon the Foundation securing

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 16: JOINT PARTNERSHIP

100% of the funding required to complete construction. Funds for construction will be raised from private and matching contributions. As part of the partnership agreement, The District will provide support including securing donations and matching funds to be used for construction and start-up costs. Annually, the District will provide utilities, maintenance and other normal operating support for Educare. They will also allocate a portion of federal and state funding to Educare totaling approximately \$2 million annually.

NOTE 17: SUBSEQUENT EVENTS

On November 8, 2016, a general obligation bond proposition (Measure E) of the District was approved by the voters of the District. Measure E authorized the District to issue up to \$1.5 billion of general obligation bonds for the purpose of school facility upgrades, improvements, and new buildings.

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations; 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.

Statement No. 73- Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

Statement No. 77 - Tax Abatement Disclosures

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016–17.

Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

This statement was issued in December 2015 and addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined pension plans and to state or local governmental employers whose employees are provided with such pensions. The statement is effective for the fiscal year 2016-17.

Statement No. 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

This statement was issued in January 2016 and establishes an additional blending requirement for the financial statement presentation of component units. A component unit should be included in the reporting entity financial statements if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit’s articles of incorporation or bylaws, and the component unit is

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

included in the financial reporting entity pursuant to the provisions in paragraphs 21–37 of Statement 14, as amended. The statement is effective for the fiscal year 2016-17.

Statement No. 81 - Irrevocable Split-Interest Agreements

This statement was issued in March 2016 and establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

Statement No. 82 - Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

This statement was issued in March 2016 and establishes guidance in order to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2016**

	Budgetary Amounts - General		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Fund				
	Original	Final			
Revenues					
Local control funding formula sources:					
State apportionments	\$580,441,521	\$578,066,038	\$535,804,247	\$	\$535,804,247
Local sources	85,991,239	86,059,032	130,137,060		130,137,060
Total local control funding formula sources:	666,432,760	664,125,070	665,941,307	-	665,941,307
Federal sources	61,624,390	67,888,612	55,782,823		55,782,823
Other state sources	123,929,331	135,850,486	148,561,669		148,561,669
Other local sources	17,728,249	28,292,297	23,672,815	68,112	23,740,927
Total Revenues	869,714,730	896,156,465	893,958,614	68,112	894,026,726
Expenditures					
Certificated salaries	362,567,571	391,301,946	379,839,157		379,839,157
Classified salaries	110,231,092	120,973,304	117,090,627		117,090,627
Employee benefits	183,687,540	193,940,104	201,832,082		201,832,082
Books and supplies	54,616,441	77,591,757	32,141,369		32,141,369
Services and other operating expenditures	90,548,402	112,172,550	100,079,553		100,079,553
Capital outlay	1,406,764	3,950,906	2,145,095		2,145,095
Other transfers out	317,450	200,000	468,576		468,576
Direct support - indirect cost	(1,310,983)	(1,323,117)	(1,346,329)		(1,346,329)
Total Expenditures	802,064,277	898,807,450	832,250,130	-	832,250,130
Excess (deficiency) of revenues over expenditures	67,650,453	(2,650,985)	61,708,484	68,112	61,776,596
Other Financing Sources (Uses)					
Interfund transfers in			2,200,000		2,200,000
Interfund transfers out				(2,200,000)	(2,200,000)
Total Other Financing Sources (Uses)	-	-	2,200,000	(2,200,000)	-
Net change in fund balances	\$ 67,650,453	\$ (2,650,985)	63,908,484	(2,131,888)	61,776,596
Fund Balance - Beginning of Year			115,139,566	8,735,155	123,874,721
Fund Balance - End of Year			<u>\$179,048,050</u>	<u>\$ 6,603,267</u>	<u>\$185,651,317</u>

(a) Amounts presented are the result of the District including activity of the Special Reserve Fund and the Deferred Maintenance Fund. (See note 1)

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal 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>
7/1/2011	-	\$ 329,401,000	\$ 329,401,000	0%	\$ 434,000,000	76%
7/1/2013	-	282,468,000	282,468,000	0%	398,100,000	71%
7/1/2015	-	327,496,000	327,496,000	0%	441,600,000	74%

Although the plan has no segregated assets, the District does maintain a portion of the Self Insurance Fund to designate resources for future retiree health care costs. At June 30, 2016, the fund's ending balance was \$9,037,270.

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2016

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.7580%	0.7490%
District's proportionate share of the net pension liability (asset)	\$ 442,952,460	\$ 504,256,760
State's proportionate share of the net pension liability (asset) associated with the District	<u>267,476,506</u>	<u>266,695,523</u>
Total	<u>\$ 710,428,966</u>	<u>\$ 770,952,283</u>
District's covered-employee payroll ⁽¹⁾	\$ 331,000,000	\$ 362,000,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	133.82%	139.30%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%
<u>California Public Employees' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.9870%	0.9607%
District's proportionate share of the net pension liability (asset)	<u>\$ 112,048,432</u>	<u>\$ 141,608,128</u>
District's covered-employee payroll ⁽¹⁾	\$ 100,600,000	\$ 110,000,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	111.38%	128.73%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.40%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

(1) The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016**

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 32,113,470	\$ 41,474,018
Contributions in relation to the contractually required contribution	<u>32,113,470</u>	<u>41,474,018</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 361,600,000	\$ 386,500,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%
<u>California Public Employees' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 12,951,826	\$ 13,710,319
Contributions in relation to the contractually required contribution	<u>12,951,826</u>	<u>13,710,319</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 110,000,000	\$ 115,700,000
Contributions as a percentage of covered-employee payroll	11.771%	11.847%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations, occurred in the General Fund for the following major objects:

Employee benefits	\$7,891,978
Other transfers out	245,364

SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2016**

The District began operations as a newly formed unified district on July 1, 1945. During the current year, the District maintained forty-five elementary schools, twenty-four middle and K-8 schools, thirteen high schools (including a continuation school, independent study and science academy), one K-12 school, one adult school and two charter schools.

The District Board of Education and the District Administrators for the fiscal year ended June 30, 2016 were as follows:

DISTRICT BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Diana Craighead	President	July, 2018
Dr. Felton Williams	Vice President	July, 2020
John McGinnis	Member	July, 2018
Megan Kerr	Member	July, 2018
Jon Meyer	Member	July, 2020

DISTRICT ADMINISTRATORS

Christopher Steinhauser	Superintendent
Jill Baker	Deputy Superintendent of Schools
Ruth Ashley	Deputy Superintendent of Schools of Education Services
Yumi Takahashi	Chief Business and Financial Officer

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2016

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

ADA statistics reported to the state for the fiscal year ended June 30, 2016 are as follows:

	Revised <u>Second Period</u>	Revised <u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	22,761	22,759
Extended year special education	21	21
Special education - nonpublic, nonsectarian schools	17	17
Extended year special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades transitional kindergarten through third ADA	<u>22,800</u>	<u>22,798</u>
Grades four through six:		
Regular ADA	17,074	17,039
Extended year special education	19	19
Special education - nonpublic, nonsectarian schools	26	27
Extended year special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades four through six ADA	<u>17,120</u>	<u>17,086</u>
Grades seven and eight:		
Regular ADA	10,905	10,875
Extended year special education	12	12
Special education - nonpublic, nonsectarian schools	28	30
Extended year special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades seven and eight ADA	<u>10,947</u>	<u>10,919</u>
Grades nine through twelve:		
Regular ADA	23,199	23,037
Extended year special education	50	50
Special education - nonpublic, nonsectarian schools	99	96
Extended year special education - nonpublic, nonsectarian schools	15	15
Community day school	<u>3</u>	<u>3</u>
Total grades nine through twelve ADA	<u>23,366</u>	<u>23,201</u>
Total ADA	<u><u>74,233</u></u>	<u><u>74,004</u></u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2016**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	51,485	180	In Compliance
Grade 2	50,400	51,485	180	In Compliance
Grade 3	50,400	51,485	180	In Compliance
Grade 4	54,000	54,350	180	In Compliance
Grade 5	54,000	54,350	180	In Compliance
Grade 6	54,000	54,350	180	In Compliance
Grade 7	54,000	60,056	180	In Compliance
Grade 8	54,000	60,056	180	In Compliance
Grade 9	64,800	64,890	180	In Compliance
Grade 10	64,800	65,048	180	In Compliance
Grade 11	64,800	64,890	180	In Compliance
Grade 12	64,800	64,890	180	In Compliance

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.553	13523	\$ 20,359,200
Child Nutrition Program-Basic Breakfast	10.553	13525	20,792
Child Nutrition Program-Especially Needy Breakfast	10.553	13526	5,194,744
Donated Food Commodities	10.555	(1)	3,012,421
Federal Snack Program	10.000	(1)	444,485
Subtotal: Child Nutrition Cluster			<u>29,031,642</u>
Equipment Assistance Grant	10.579		100,000
Team Nutrition Grant 2015 (Smart Lunch Room Movement Grant)	10.574	15332	5,617
Child and Adult Care Food Program	10.558	13529	1,264,788
Child and Adult Care Food Program: Summer Program Operations	10.559	13004	428,698
Fresh Fruit and Vegetable Program	10.582	14968	172,598
Cash in Lieu of Commodities	10.558	13534	59,476
Total: United States Department of Agriculture			<u>31,062,819</u>
United States Department of Defense			
Reserve Officer Training Corp (ROTC)	12.000	(1)	165,745
Total: United States Department of Defense			<u>165,745</u>
United States Department of Education			
Indian Education	84.060	(1)	11,676
School Leadership Program	84.363A	(1)	277,769
Skills for Success	84.215	(1)	296,669
Subtotal: Direct Programs			<u>586,114</u>
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement	84.027	13379	12,074,852
IDEA Basic Local Assist - Private School	84.027	10115	83,147
Federal Preschool Grant	84.173	13430	288,074
Preschool Local Entitlement	84.027A	13682	872,580
IDEA Mental Health Allocation Plan, Part B Sec 611	84.027A	14468	936,644
Preschool Staff Development	84.173A	13431	6,801
Early Intervention	84.181	23761	264,596
Alternative Dispute Resolution	84.027A	13007	21,097
Subtotal: Special Education Cluster			<u>14,547,791</u>
Adult Education Cluster:			
Adult Basic Education and ESL	84.002A	14508	153,207
Adult Secondary Education	84.002A	13978	13,383
English Literacy and Civics Education	84.002A	14109	83,082
Subtotal: Adult Education Cluster			<u>249,672</u>

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Program Name	Pass-Through		Total Program Expenditures
	Federal Catalog Number	Entity Identifying Number	
Title I, Part A - Low Income and Neglected	84.010	14329	29,140,688
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330	14831	218,043
Title II, Part A - Improving Teacher Quality	84.367	14341	5,324,646
Migrant Education	84.011	14838	502,252
Migrant Education Summer Program	84.011	10005	4,000
Migrant Education Even Start (MEES)	84.011	14768	26,914
Title III - Limited English Proficiency	84.365	14346	1,847,709
Title IV, Part B, 21st Century Learning Centers	84.287	14349	530,496
No Child Left Behind: Title X McKinney - Vento Homeless Children /	84.196	14332	170,001
Career and Technical Education - Adult	84.048	14893	13,515
Career and Technical Education - Secondary	84.048	14894	714,686
Subtotal: Pass-Through Programs From California Department of Education			<u>53,290,413</u>
Pass-Through Program From California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	415,725
CaPROMISE	84.418P	(1)	385,980
Subtotal: Pass-Through From California Department of Rehabilitation			<u>801,705</u>
Total: United States Department of Education			<u>54,678,232</u>
United States Department of Health and Human Services			
Head Start	93.600	10016	47,897
Head Start-Early	93.600	(1)	1,977,325
Head Start-Basic Grant	93.600	(1)	16,747,438
Head Start-Training & Tech Assistance	93.600	(1)	157,512
Subtotal: Direct Programs			<u>18,930,172</u>
Pass-Through Program From California Department of Education:			
Child Development - Federal Child Care Cluster			
Federal Child Care	93.596	13609	1,474,534
Subtotal: Child Development - Federal Child Care Cluster			<u>1,474,534</u>
Pass-Through Program From California Department of Health and Services:			
Medi-Cal Billing Option	93.778	10013	1,313,227
Medi-Cal - Administrative	93.778	10600	400,892
Total: United States Department of Health and Human Services			<u>22,118,825</u>
Total Federal Programs			<u>\$ 108,025,621</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 108,025,621
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal	93.778	10013	(607,322)
Medi-Cal - Administrative	93.778	10600	81,722
Child Development: Federal Child Care			
Child and Adult Care Food Program	10.558	13529	(202,815)
Child and Adult Care Food Program Cash in Lieu of Commodities	10.558	13529	7,233
Other Federal Revenue			
Qualified School Construction Bonds			3,553,513
Total Federal Program Revenue			<u>\$ 110,857,952</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$3,012,421 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

	<u>2017 (Budgeted)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total revenues	\$ 896,675,782	\$ 893,958,614	\$ 772,581,126	\$ 683,733,630
Total expenditures	(881,047,251)	(832,250,130)	(759,586,082)	(674,825,806)
Total other sources (uses)	<u>(500,000)</u>	<u>2,200,000</u>	<u>(2,248,797)</u>	<u>(248,797)</u>
Change in fund balance	15,128,531	63,908,484	10,746,247	8,659,027
Ending fund balance	<u>\$ 194,176,581</u>	<u>\$ 179,048,050</u>	<u>\$ 115,139,566</u>	<u>\$ 104,393,319</u>
Available reserve	<u>\$ 92,496,678</u>	<u>\$ 92,881,553</u>	<u>\$ 81,889,774</u>	<u>\$ 13,501,493</u>
Available reserve %	10%	11%	11%	2%
ADA	<u>72,748</u>	<u>74,233</u>	<u>75,967</u>	<u>77,336</u>
Total long term debt ⁽¹⁾	<u>\$ 1,529,781,473</u>	<u>\$ 1,570,480,296</u>	<u>\$ 1,476,672,681</u>	<u>\$ 654,038,084</u>

The amounts above are those reported as General Fund in the Annual Financial and Budget Report and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends 2% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2016, the District has met this requirement.

The 2017 budget is the original budget adopted on June 23, 2016.

(1) 2014's Long-Term Debt has not been restated for the effect of GASB No. 68 and No. 71 implementation.

Average daily attendance is based upon P-2.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2016**

<u>Charter School</u>	<u>Included in District Audit Report</u>
Intellectual Virtues Academy	No
Clear Passage Educational Center	No

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

There were no differences between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has not met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

LONG BEACH UNIFIED SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORT



**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***

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

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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 the 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, California
November 28, 2016

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Long Beach Unified School District’s (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 THE UNIFORM GUIDANCE**

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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 28, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Long Beach Unified School District's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

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 below. 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion 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 the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	No ¹
Mode of Instruction	No ¹
Nonclassroom Based Instruction/Independent Study	No ¹
Determination of Funding for Nonclassroom Based Instruction	No ¹
Annual Instructional Minutes – Classroom Based	No ¹
Charter School Facility Grant Program	No ¹

¹Testing for Charter Schools was done by each school’s respective auditor.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 28, 2016

FINDINGS AND QUESTIONED COSTS

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	<i>Yes</i>	<u> X </u>	<i>No</i>
Significant deficiency(ies) identified?	_____	<i>Yes</i>	<u> X </u>	<i>None Reported</i>
Noncompliance material to financial statements noted?	_____	<i>Yes</i>	<u> X </u>	<i>No</i>

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	_____	<i>Yes</i>	<u> X </u>	<i>No</i>
Significant deficiency(ies) identified?	_____	<i>Yes</i>	<u> X </u>	<i>None Reported</i>

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? *Yes* X *No*

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Programs
84.027, 84.027A, 84.173, 84.173A, 84.181	Special Education Cluster

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

Auditee qualified as low-risk auditee? X *Yes* _____ *No*

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2016.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2016

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2016.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2016

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2016.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

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