

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

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018**



LONG BEACH UNIFIED SCHOOL DISTRICT
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June 30, 2018

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INDEPENDENT AUDITORS' 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, 2018, 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.

Auditors' 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 from 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 auditors' 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 AUDITORS' REPORT

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, 2018, 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.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

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 the District's proportionate share of the net pension liability, schedule of the District's pension contributions, and schedule of change in the net postemployment healthcare benefits liability and related ratios, 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*

INDEPENDENT AUDITORS' REPORT

Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was 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 27, 2018 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 solely 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 effectiveness of the District's 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.



CliftonLarsonAllen LLP

Glendora, California

November 27, 2018

LONG BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018. 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 74,000 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 territory in Los Angeles County. As one of the largest school districts in California, LBUSD serves the most diverse large city in the United States, with dozens of 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. As the District continues to recognize the STRS and PERS pension liability, an increase in the net position serves to reduce the negative position.
- Due to a change in accounting principle in 2017-18 fiscal year related to Post Employment Healthcare Benefits, a restatement of net position in the amount of (\$260.3) million was made to recognize this liability in the combined financial statements. The district's increase in net ending position from other sources was offset by this restatement.
- Overall revenues and other financing sources totaled \$1.147 billion or \$54.5 million more than expenditures.
- The District's total long term debt obligations increased during the year. Future pension expense added \$77.5 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 \$231.6 million or 26.2% of total General Fund expenditures.

LONG BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 vii (see page 57).

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 2017-18 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.
- 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.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Summary of Statement of Net Position

| | As of <u>6/30/2017</u> | As of <u>6/30/2018</u> | Variance |
|--|---------------------------|---------------------------|----------|
| Non-Capital Assets | \$ 1,013,420,473 | \$ 960,518,999 | -5.22% |
| Capital Assets | <u>1,034,786,648</u> | <u>1,197,595,171</u> | 15.73% |
| Total Assets | <u>2,048,207,121</u> | <u>2,158,114,170</u> | 5.37% |
| Deferred charge on refunding | 15,793,346 | 14,781,210 | -6.41% |
| Deferred outflows of resources - OPEB | - | 3,624,075 | 100.00% |
| Deferred outflows of resources - pension contributions | <u>174,080,459</u> | <u>269,510,690</u> | 54.82% |
| Total Deferred Outflows of Resources | <u>189,873,805</u> | <u>287,915,975</u> | 51.64% |
| Current Liabilities | 215,930,805 | 293,964,562 | 36.14% |
| Long-term Liabilities | <u>2,164,985,773</u> | <u>2,457,867,369</u> | 13.53% |
| Total Liabilities | <u>2,380,916,578</u> | <u>2,751,831,931</u> | 15.58% |
| Deferred Inflows of Resources - pension | <u>31,346,407</u> | <u>74,139,388</u> | 136.52% |
| Total Deferred Inflows of Resources | <u>31,346,407</u> | <u>74,139,388</u> | |
| Invested In Capital Assets, Net of | | | |
| Related Debt | 277,366,751 | 314,035,567 | 13.22% |
| Net Position Legally Restricted | 112,109,709 | 114,927,443 | 2.51% |
| Net Position Unrestricted | <u>(563,658,519)</u> | <u>(808,904,184)</u> | 43.51% |
| Total Net Position | <u>\$ (174,182,059)</u> | <u>\$ (379,941,174)</u> | |

LONG BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The District's combined net position decreased from \$(174) million at the end of 2016-17 fiscal year to \$(380) million at the end of 2017-18 fiscal year, with the negative positions due to the change in accounting principle regarding the state STRS and PERS pension liability and the 2017-18 change in accounting principle regarding postemployment benefits. Between years, the net position of the district decreased \$206 million.

Summary of Statement of Activities

| | <u>2016-17</u> | <u>2017-18</u> | Variance |
|--|-------------------------------|-------------------------------|----------|
| Program Revenues: | | | |
| Charges for Services | \$ 11,750,220 | \$ 9,388,141 | -20.10% |
| Operating Grants and Contributions | 229,166,022 | 252,176,597 | 10.04% |
| Capital Grants and Contributions | 14,717 | 504,450 | 3327.67% |
| General Revenues: | | | |
| Property Taxes | 195,437,705 | 245,031,303 | 25.38% |
| Federal and State Aid Unrestricted | 585,167,661 | 579,503,450 | -0.97% |
| Interest, Investment and Miscellaneous | 15,521,533 | 60,883,777 | 292.25% |
| Total Revenues | <u>1,037,057,858</u> | <u>1,147,487,718</u> | 10.65% |
| | | | |
| Instruction and Related Services | 757,708,339 | 764,942,045 | 0.95% |
| Pupil Services | 98,757,277 | 96,183,441 | -2.61% |
| General Administration | 56,396,581 | 38,338,601 | -32.02% |
| Ancillary, Community, and | | | |
| Enterprise Activities | 10,795,296 | 11,487,109 | 6.41% |
| Plant Services | 103,061,618 | 125,248,401 | 21.53% |
| Debt Service | 39,578,182 | 56,609,149 | 43.03% |
| Other Outgo | 644,877 | 177,933 | -72.41% |
| Total Expenses | <u>1,066,942,170</u> | <u>1,092,986,679</u> | 2.44% |
| | | | |
| Change in Net Position | <u>(29,884,312)</u> | <u>54,501,039</u> | 282.37% |
| | | | |
| Net Position, Beginning before Restatement | (144,297,747) | (174,182,059) | |
| Adjustment for Restatement | <u>-</u> | <u>(260,260,154)</u> | |
| Net Position, Beginning, Restated | <u>(144,297,747)</u> | <u>(434,442,213)</u> | |
| Net Position, Ending | <u><u>\$(174,182,059)</u></u> | <u><u>\$(379,941,174)</u></u> | |

LONG BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Total revenues between the 2016-17 and 2017-18 fiscal years increased 10.7%. The major state funding came through the accelerated implementation of the local control funding formula (LCFF). 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 provided a percentage of the gap between current funding and target funding each year until 2018-2019, when full target funding will be implemented two years early. Relatively healthy state revenues were used to accelerate the implementation of LCFF.

Revenues increased \$110 million, while expenses increased \$26 million. State revenues included \$13.6 million in one-time funds and local revenues included \$39 million in settlement funding from local redevelopment agencies.

Target funding estimates at full implementation will provide an estimated additional \$240 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.

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.
- **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

LONG BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 \$720.5 million, compared to last year's combined ending balances of \$821.1 million. The General Fund increased by \$64.3 million primarily due to onetime sources of funds. The Building Fund ending balance decreased by \$187.8 million between years as bond funds were used to continue work on multiple projects including a major modernization to Jordan High School and Renaissance High School, completion of the Browning High School campus, modernization of high school auditoriums, air conditioning of campuses and numerous smaller renovations and 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 2018-19 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, 2018

Summary of General Fund Budgetary Highlights

| | Budgeted Amounts | | Actual Amounts | Variance with Revised Final Budget - Positive (Negative) |
|--|------------------------|------------------------|-----------------------|--|
| | Original | Revised Final | | |
| Revenues: | | | | |
| LCFF Sources | \$ 699,984,092 | \$ 697,908,975 | \$ 697,908,975 | \$ - |
| Federal Sources | 57,531,042 | 63,726,510 | 51,245,785 | (12,480,725) |
| Other State Sources | 109,380,893 | 140,015,601 | 133,986,919 | (6,028,682) |
| Other Local Sources | 15,846,007 | 62,726,536 | 63,772,981 | 1,046,445 |
| Total Revenues | <u>882,742,034</u> | <u>964,377,622</u> | <u>946,914,660</u> | <u>(17,462,962)</u> |
| Expenditures: | | | | |
| Certificated Salaries | 398,689,193 | 409,867,159 | 396,803,312 | 13,063,847 |
| Classified Salaries | 121,171,413 | 124,684,926 | 121,236,611 | 3,448,315 |
| Employee Benefits | 236,096,049 | 239,168,796 | 234,665,822 | 4,502,974 |
| Books & Supplies | 38,552,467 | 49,179,248 | 24,817,490 | 24,361,758 |
| Services, Other Operating Expenses | 97,267,954 | 111,269,597 | 101,177,381 | 10,092,216 |
| Capital Outlay | 2,112,410 | 6,253,154 | 5,375,393 | 877,761 |
| Other Outgo | 642,201 | 335,978 | 174,584 | 161,394 |
| Direct Support/Indirect Costs: | (1,389,187) | (1,473,831) | (1,375,781) | (98,050) |
| Total Expenditures | <u>893,142,500</u> | <u>939,285,027</u> | <u>882,874,812</u> | <u>56,410,215</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(10,400,466)</u> | <u>25,092,595</u> | <u>64,039,848</u> | <u>38,947,253</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (4,000,000) | (43,128,335) | (39,128,335) | 39,128,335 |
| Total Other financing sources (uses): | <u>(4,000,000)</u> | <u>(43,128,335)</u> | <u>(39,128,335)</u> | <u>39,128,335</u> |
| Net change in fund balance | <u>\$ (14,400,466)</u> | <u>\$ (18,035,740)</u> | 24,911,513 | <u>\$ 78,075,588</u> |
| Fund balance - July 1, 2017 | | | <u>194,367,430</u> | |
| Fund balance - June 30, 2018 | | | <u>\$ 219,278,943</u> | |

LONG BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

Capital Assets

By the end of fiscal year 2017-18, the District had invested \$1.70 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 \$190 million, or 12.6% over last year. This increase represents work on many projects, including Jordan High School, Renaissance High School, Browning High School, multiple air conditioning projects and track and field installations.

Long-Term Debt

At year-end, the District had \$2.53 billion in long-term debt. General Obligation Bonds accounted for \$1.24 billion, including related premium and accreted interest. The District's current bond rating is AA2. The remaining \$1.29 billion in long-term debt represents the value of accumulated employee vacation time, the net OPEB obligation, including the restatement of \$260 million, and the net pension liability in the amount of \$894 million required to be reported in the financial statements per GASB 68 and GASB 75.

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 will reach full implementation in 2018-19, two years ahead of schedule. 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 based on decreased student eligibility and reduced per pupil funding. The district is continuing to experience declining enrollment of approximately 2% per year. It is difficult to make downward adjustments in district finances to immediately match the decline in students.

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, California, 90810.

LONG BEACH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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.

Debt Service 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, 2018

| | Governmental Activities |
|--|-------------------------|
| <u>Assets</u> | |
| Cash in county treasury | \$ 916,019,008 |
| Cash on hand and in banks | 2,646,484 |
| Cash in revolving fund | 1,227,920 |
| Cash collections awaiting deposit | 178 |
| Accounts receivable | |
| Federal and state governments | 22,019,330 |
| Local governments | 9,890,469 |
| Miscellaneous | 6,019,104 |
| Inventories | 1,813,459 |
| Prepaid expenses and other assets | 883,047 |
| Land | 113,922,550 |
| Construction in progress | 300,513,695 |
| Depreciable assets, net | 783,158,926 |
| Total Assets | 2,158,114,170 |
| <u>Deferred Outflows of Resources</u> | |
| Deferred charge on refunding | 14,781,210 |
| Deferred outflows - other post employment benefits | 3,624,075 |
| Deferred outflows - pension contributions | 269,510,690 |
| Total Deferred Outflows of Resources | 287,915,975 |
| <u>Liabilities</u> | |
| Accounts payable and other current liabilities | 139,841,416 |
| Accrued interest payable | 28,133,966 |
| Unearned revenue | 9,948,171 |
| Estimated liability for open claims and IBNR's | 45,764,817 |
| Current portion of long-term liabilities | |
| General obligation bonds | 60,685,000 |
| Compensated absences | 9,591,192 |
| Non-current portion of long term liabilities | |
| General obligation bonds | 1,180,218,625 |
| Compensated absences | 2,468,070 |
| Net other postemployment benefits (OPEB) | 380,699,585 |
| Net pension liability | 894,481,089 |
| Total Liabilities | 2,751,831,931 |
| <u>Deferred Inflows of Resources</u> | |
| Deferred inflows - pension costs | 74,139,388 |
| Total Deferred Inflows of Resources | 74,139,388 |
| <u>Net Position</u> | |
| Net investment in capital assets | 314,035,567 |
| Restricted for: | |
| Debt service | 59,535,392 |
| Educational programs | 32,728,982 |
| Capital projects | 20,960,704 |
| Other programs | 1,702,365 |
| Unrestricted | (808,904,184) |
| Total Net Position | \$ (379,941,174) |

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

| Functions | Expenses | Charges for Services | Program Revenues | | Net (Expense) |
|---|-------------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction | \$ 650,335,709 | \$ 2,348,734 | \$ 146,191,496 | \$ | \$ (501,795,479) |
| Instruction - related services | 114,606,336 | 1,461,365 | 36,129,417 | | (77,015,554) |
| Pupil services | 96,183,441 | 4,491,602 | 45,703,918 | | (45,987,921) |
| Ancillary services | 1,392,784 | 3,281 | 28,213 | | (1,361,290) |
| Community services | 9,624,305 | 12,332 | 648,390 | | (8,963,583) |
| Enterprise activities | 470,020 | 317 | 3,686 | | (466,017) |
| General administration | 38,338,601 | 177,154 | 6,782,903 | | (31,378,544) |
| Plant services | 125,404,780 | 893,288 | 16,664,648 | 504,450 | (107,186,015) |
| Other outgo | 177,933 | 68 | 23,926 | | (153,939) |
| Debt service - interest | 56,609,149 | | | | (56,609,149) |
| Total District | \$ 1,092,986,679 | \$ 9,388,141 | \$ 252,176,597 | \$ 504,450 | (830,917,491) |
| General Revenues | | | | | |
| Property taxes levied for | | | | | |
| General purposes | | | | | 149,280,563 |
| Debt service | | | | | 88,628,400 |
| Other specific purposes | | | | | 7,122,340 |
| Federal and state aid not restricted to specific purposes | | | | | 579,503,450 |
| Interest and investment earnings | | | | | 4,649,189 |
| Miscellaneous | | | | | 56,390,967 |
| Total General Revenues and Special Items | | | | | 885,418,530 |
| | | | | | Change in net position |
| | | | | | 54,501,039 |
| Net Position - Beginning of Year, before restatement | | | | | (174,182,059) |
| Adjustment for Restatement (See Note 15) | | | | | (260,260,154) |
| Net Position - Beginning of Year, restated | | | | | (434,442,213) |
| Net Position - End of Year | | | | | \$ (379,941,174) |

See accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

| | General Fund | Building Fund | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|------------------------------|------------------------------|-----------------------------|------------------------------------|--------------------------------|
| <u>Assets</u> | | | | | |
| Cash in county treasury | \$ 294,578,135 | \$ 425,391,792 | \$ 87,669,358 | \$ 24,678,666 | \$ 832,317,951 |
| Cash on hand and in banks | | | | 2,646,484 | 2,646,484 |
| Cash in revolving fund | 396,900 | | | 1,020 | 397,920 |
| Cash collections awaiting deposit | | | | 178 | 178 |
| Accounts receivable: | | | | | |
| Federal and state governments | 12,415,064 | | | 9,604,266 | 22,019,330 |
| Local governments | 2,140,472 | | | | 2,140,472 |
| Miscellaneous | 2,250,716 | 2,572,749 | | 622,939 | 5,446,404 |
| Due from other funds | 7,753,518 | | | | 7,753,518 |
| Inventories | 1,031,869 | | | 781,590 | 1,813,459 |
| Prepaid expenditures and other assets | 533,076 | 323,419 | | 26,552 | 883,047 |
| Total Assets | <u>\$ 321,099,750</u> | <u>\$ 428,287,960</u> | <u>\$ 87,669,358</u> | <u>\$ 38,361,695</u> | <u>\$ 875,418,763</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 46,662,145 | \$ 85,725,149 | \$ | \$ 4,842,921 | \$ 137,230,215 |
| Due to other funds | | | | 7,753,518 | 7,753,518 |
| Unearned revenue | 9,613,787 | | | 334,384 | 9,948,171 |
| Total Liabilities | <u>56,275,932</u> | <u>85,725,149</u> | <u>-</u> | <u>12,930,823</u> | <u>154,931,904</u> |
| Fund Balances | | | | | |
| Nonspendable | 1,928,357 | 323,419 | | 809,162 | 3,060,938 |
| Restricted | 31,309,036 | 342,239,392 | 87,669,358 | 24,621,710 | 485,839,496 |
| Assigned | 106,271,876 | | | | 106,271,876 |
| Unassigned | 125,314,549 | | | | 125,314,549 |
| Total Fund Balances | <u>264,823,818</u> | <u>342,562,811</u> | <u>87,669,358</u> | <u>25,430,872</u> | <u>720,486,859</u> |
| Total Liabilities and Fund Balances | <u>\$ 321,099,750</u> | <u>\$ 428,287,960</u> | <u>\$ 87,669,358</u> | <u>\$ 38,361,695</u> | <u>\$ 875,418,763</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, 2018**

Total fund balances - governmental funds \$ 720,486,859

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 \$1,696,692,801 and the accumulated depreciation is \$499,097,630. The net value of capital assets is: 1,197,595,171

Property taxes receivable related to general obligation bonds 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 7,749,997

The accrued interest for general obligation bonds is: (28,133,966)

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 | \$ (1,137,920,702) | |
| Unmatured premium general obligation bonds | (77,936,624) | |
| Accreted interest on capital appreciation bonds | (25,046,299) | |
| Compensated absences payable | (12,059,262) | |
| Net other postemployment benefits obligation | (380,699,585) | |
| Net pension liability | <u>(894,481,089)</u> | (2,528,143,561) |

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

| | | |
|--|-------------------|-------------|
| Deferred outflows - pensions | 269,510,690 | |
| Deferred outflows - other post employment benefits | 3,624,075 | |
| Deferred inflows - pensions | (74,139,388) | |
| Deferred charge on refunding to be amortized over the life of the refunded or refunding debt | <u>14,781,210</u> | 213,776,587 |

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. 36,727,739

Total net position - governmental activities \$ (379,941,174)

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, 2018**

| | General Fund | Building Fund | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-----------------------|-----------------------|----------------------|------------------------------------|--------------------------------|
| Revenues | | | | | |
| Local control funding formula sources: | | | | | |
| State apportionments | \$ 549,295,620 | \$ | \$ | \$ | \$ 549,295,620 |
| Local sources | 148,613,355 | | | | 148,613,355 |
| Total local control funding formula sources | 697,908,975 | | | | 697,908,975 |
| Federal sources | 51,245,785 | | 3,564,982 | 58,361,298 | 113,172,065 |
| Other state sources | 133,986,919 | | 581,578 | 13,428,369 | 147,996,866 |
| Other local sources | 64,043,531 | 7,679,803 | 88,828,133 | 17,323,982 | 177,875,449 |
| Total Revenues | <u>947,185,210</u> | <u>7,679,803</u> | <u>92,974,693</u> | <u>89,113,649</u> | <u>1,136,953,355</u> |
| Expenditures | | | | | |
| Instruction | 579,424,877 | | | 26,565,808 | 605,990,685 |
| Instruction - related services | 102,856,731 | | | 6,097,679 | 108,954,410 |
| Pupil services | 54,664,541 | | | 37,932,714 | 92,597,255 |
| Ancillary services | 1,379,835 | | | | 1,379,835 |
| Community services | 9,524,340 | | | | 9,524,340 |
| Enterprise activities | 404,210 | | | | 404,210 |
| General administration | 37,125,277 | | | 1,488,325 | 38,613,602 |
| Plant services | 97,347,418 | 195,479,603 | | 12,999,365 | 305,826,386 |
| Other outgo | 174,583 | 3,350 | | | 177,933 |
| Debt service | | | 74,081,092 | | 74,081,092 |
| Total Expenditures | <u>882,901,812</u> | <u>195,482,953</u> | <u>74,081,092</u> | <u>85,083,891</u> | <u>1,237,549,748</u> |
| Excess (deficiency) of revenues over expenditures | 64,283,398 | (187,803,150) | 18,893,601 | 4,029,758 | (100,596,393) |
| Other Financing Sources | | | | | |
| Interfund transfers in | 39,128,335 | | | | 39,128,335 |
| Interfund transfers out | (39,128,335) | | | | (39,128,335) |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balance | 64,283,398 | (187,803,150) | 18,893,601 | 4,029,758 | (100,596,393) |
| Fund Balances at Beginning of Year | <u>200,540,420</u> | <u>530,365,961</u> | <u>68,775,757</u> | <u>21,401,114</u> | <u>821,083,252</u> |
| Fund Balances at End of Year | <u>\$ 264,823,818</u> | <u>\$ 342,562,811</u> | <u>\$ 87,669,358</u> | <u>\$ 25,430,872</u> | <u>\$ 720,486,859</u> |

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, 2018**

Net change in fund balances - total governmental funds \$ (100,596,393)

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 | \$ 186,936,048 | |
| Depreciation expense | <u>(24,127,525)</u> | |
| Excess (deficiency) of capital outlay over depreciation expense | | 162,808,523 |

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:

| | | |
|--|--------------------|------------|
| Repayment of bond principal | 28,325,000 | |
| Net increase in accreted interest | (6,041,281) | |
| Bond premium, current year amortization | 3,768,203 | |
| Decrease in deferred charge on refunding | (1,012,136) | |
| Increase in accrued interest expense | <u>(7,567,843)</u> | |
| Change in bond activity | | 17,471,943 |

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 \$18,693. (18,693)

Property taxes are recorded on a cash basis as they are not considered as "available" revenues in the governmental funds. The net change in the receivable related to property taxes levied for the repayment of debt is: 2,924,083

An internal service fund is used by the District to manage the Self-Insurance Fund. The net income of \$7,113,212 is reported with governmental activities. 7,113,212

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. (10,293,988)

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: (24,907,648)

Change in net position of governmental activities \$ 54,501,039

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2018

| | Governmental Activities: |
|--|--------------------------|
| | Internal Service Fund |
| | Self-Insurance Fund |
| <u>Assets</u> | |
| Cash in county treasury | \$ 83,701,057 |
| Cash in revolving fund | 830,000 |
| Accounts receivable: | |
| Miscellaneous | 572,700 |
| Total Assets | 85,103,757 |
| <u>Liabilities</u> | |
| Accounts payable | 2,611,201 |
| Estimated liability for open claims incurred but not recorded | 45,764,817 |
| Total Liabilities | 48,376,018 |
| <u>Net Position</u> | |
| Restricted | 36,727,739 |
| Total Net Position | \$ 36,727,739 |

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, 2018

| | Governmental Activities: |
|--|--------------------------|
| | Internal Service Fund |
| | Self-Insurance Fund |
| Operating Revenues | |
| Self-insurance premiums | \$ 78,351,515 |
| Total Operating Revenues | 78,351,515 |
| Operating Expenditures | |
| Salaries | 272,387 |
| Benefits | 116,323 |
| Other Supplies | 10,797 |
| Payments for health and welfare claims | 71,809,520 |
| Total Operating Expenditures | 72,209,027 |
| Net operating income | 6,142,488 |
| Non-Operating Revenue | |
| Interest income | 970,724 |
| Total Non-Operating Revenue | 970,724 |
| Change in net position | 7,113,212 |
| Net Position at Beginning of Year | 29,614,527 |
| Net Position at End of Year | \$ 36,727,739 |

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, 2018

| | | Governmental Activities: |
|--|----|--------------------------|
| | | Internal Service Fund |
| | | Self-Insurance Fund |
| Cash Flows from Operating Activities | | |
| Cash received from premiums and other revenues | \$ | 78,329,403 |
| Cash paid for operating expenditures | | (74,079,196) |
| Net cash provided by operating activities | | 4,250,207 |
| Cash Flows from Investing Activities | | |
| Interest income | | 948,524 |
| Net cash provided by investing activities | | 948,524 |
| Net increase in cash | | 5,198,731 |
| Cash and cash equivalents - July 1, 2017 | | 79,332,326 |
| Cash and cash equivalents - June 30, 2018 | \$ | 84,531,057 |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating Income | \$ | 6,142,488 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | (22,112) |
| Accounts payable | | 91,570 |
| Estimated liability for open claims incurred but not recorded | | (1,961,739) |
| Total adjustments | | (1,892,281) |
| Net cash provided by operating activities | \$ | 4,250,207 |
| Cash balances at June 30, 2018 consisted of the following: | | |
| Cash in county treasury | \$ | 83,701,057 |
| Cash in revolving fund | | 830,000 |
| Total cash | \$ | 84,531,057 |

See accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018**

| | Associated Student Body Funds |
|--------------------------------|----------------------------------|
| | |
| <u>Assets</u> | |
| Cash on hand and in banks | \$ 5,939,837 |
| Accounts receivable: | |
| Miscellaneous | 11,778 |
| Stores inventory | 20,719 |
| Total Assets | 5,972,334 |
| <u>Liabilities</u> | |
| Accounts payable | 196,756 |
| Funds held in trust | 4,373,546 |
| Total Liabilities | 4,570,302 |
| <u>Net Position</u> | |
| Unrestricted | 1,402,032 |
| Total Net Position | \$ 1,402,032 |

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, 2018

| | Associated Student Body Funds |
|---|----------------------------------|
| | |
| Additions | |
| Revenue from local sources | \$ 3,605,820 |
| Total Additions | 3,605,820 |
| Deductions | |
| Other expenses | 3,510,982 |
| Total Deductions | 3,510,982 |
| Changes in net position | 94,838 |
| Net Position - Beginning of Year | 1,307,194 |
| Net Position - End of Year | \$ 1,402,032 |

See accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

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, 2018**

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, 2018**

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) no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. Therefore, all activities of this fund are reported in the General Fund.

Building Fund: used to account for the proceeds of Measure A, Measure K, and Measure E General Obligation 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, 2018**

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 \$650,354 on June 30, 2018, which represents withholdings payable.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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, 2018, the inventory for supplies is \$1,031,869. The inventory for food is \$781,590.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, 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, 2018

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 acquisition 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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 11 to the financial statements.

Deferred Outflows – OPEB: The deferred outflows of resources related to OPEB benefits results from the difference between expected and actual experience. The deferred outflows – OPEB will be deferred and amortized as detailed in Note 10 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.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and 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:

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accrued at the end of the fiscal year.

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.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

LONG BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 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.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: BUDGETS

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.

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, 2018, \$17,715,353 of the District's bank balance of \$19,065,477 was exposed to credit risk as follows:

| <u>District's Bank Balance</u> | <u>June 30, 2018</u> |
|--|----------------------|
| Uninsured and collateral held by pledging bank's trust department not in the District's name | \$ 16,769,848 |
| Uninsured and uncollateralized | 945,505 |
| Total | <u>\$ 17,715,353</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, 2018 is measured at 98.6604% 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 53601, 53635, 53534 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 3: DEPOSITS AND INVESTMENTS

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 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, 2018 are temporary loans and are detailed as follows:

| Fund | Interfund Receivables | Interfund Payables |
|-------------------------------|--------------------------|-----------------------|
| General Fund | \$ 7,753,518 | \$ |
| Non-Major Governmental Funds: | | |
| Child Development Fund | | 885,217 |
| Cafeteria Fund | | 6,868,301 |
| Total | \$ 7,753,518 | \$ 7,753,518 |

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 2017-18, 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.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 5: FUND BALANCES

The following amounts were nonspendable, restricted, 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 | \$ 396,900 | \$ | \$ | \$ 1,020 | \$ 397,920 |
| Inventories | 1,031,869 | | | 781,590 | 1,813,459 |
| Prepaid expenditures | 499,588 | 323,419 | | 26,552 | 849,559 |
| Total nonspendable | <u>1,928,357</u> | <u>323,419</u> | <u>-</u> | <u>809,162</u> | <u>3,060,938</u> |
| Restricted: | | | | | |
| Legally restricted programs | 31,309,036 | 342,239,392 | | 538,695 | 374,087,123 |
| Capital projects | | | | 20,960,704 | 20,960,704 |
| Child development program | | | | 1,419,946 | 1,419,946 |
| Cafeteria program | | | | 1,702,365 | 1,702,365 |
| Debt service | | | 87,669,358 | | 87,669,358 |
| Total restricted | <u>31,309,036</u> | <u>342,239,392</u> | <u>87,669,358</u> | <u>24,621,710</u> | <u>485,839,496</u> |
| Assigned: | | | | | |
| One-time Board approved expenses | 60,700,000 | | | | 60,700,000 |
| Other assignments | 45,571,876 | | | | 45,571,876 |
| Total assigned | <u>106,271,876</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>106,271,876</u> |
| Unassigned: | | | | | |
| Economic uncertainties | 18,440,429 | | | | 18,440,429 |
| Unassigned | 106,874,120 | | | | 106,874,120 |
| Total unassigned | <u>125,314,549</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>125,314,549</u> |
| Total fund balance | <u>\$ 264,823,818</u> | <u>\$ 342,562,811</u> | <u>\$ 87,669,358</u> | <u>\$ 25,430,872</u> | <u>\$ 720,486,859</u> |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2018 is shown below.

| | Balance July 1, 2017 | Additions | Retirements | Balance June 30, 2018 |
|---|-------------------------|-----------------------|-------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 113,922,550 | \$ | \$ | \$ 113,922,550 |
| Construction in progress | 275,702,957 | 167,270,142 | (142,459,404) | 300,513,695 |
| Total capital assets not being depreciated | <u>389,625,507</u> | <u>167,270,142</u> | <u>(142,459,404)</u> | <u>414,436,245</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 36,573,260 | 5,249,250 | | 41,822,510 |
| Buildings and improvements | 1,002,338,381 | 154,866,058 | | 1,157,204,439 |
| Books and media in library | 19,031,338 | | (638,806) | 18,392,532 |
| Vehicles | 14,386,237 | 733,751 | (1,033,916) | 14,086,072 |
| Machinery and equipment | 51,063,354 | 1,432,630 | (1,744,981) | 50,751,003 |
| Total capital assets being depreciated | <u>1,123,392,570</u> | <u>162,281,689</u> | <u>(3,417,703)</u> | <u>1,282,256,556</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (20,181,428) | (1,295,454) | | (21,476,882) |
| Buildings and improvements | (384,431,071) | (18,629,347) | | (403,060,418) |
| Books and media in library | (19,248,394) | (451,571) | 638,806 | (19,061,159) |
| Vehicles | (13,085,685) | (456,779) | 1,033,916 | (12,508,548) |
| Machinery and equipment | (41,284,851) | (3,294,374) | 1,588,602 | (42,990,623) |
| Total accumulated depreciation | <u>(478,231,429)</u> | <u>(24,127,525)</u> | <u>3,261,324</u> | <u>(499,097,630)</u> |
| Depreciable assets, net | <u>645,161,141</u> | <u>138,154,164</u> | <u>(156,379)</u> | <u>783,158,926</u> |
| Governmental activities capital assets, net | <u>\$ 1,034,786,648</u> | <u>\$ 305,424,306</u> | <u>\$ (142,615,783)</u> | <u>\$ 1,197,595,171</u> |

Depreciation expense was allocated to the following functions:

| Government Activities | |
|--|----------------------|
| Instruction | \$ 18,766,033 |
| Instruction - Related Services | 591,455 |
| Pupil Services | 451,648 |
| General Administration | 2,345,397 |
| Plant Services | 1,972,992 |
| Net Governmental activities depreciation expense | <u>\$ 24,127,525</u> |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below.

| | Balance July 1, 2017 | Restatement | Additions | Reductions | Balance June 30, 2018 | Amount Due in One Year |
|-------------------------------------|-------------------------|-----------------------|----------------------|----------------------|--------------------------|---------------------------|
| General obligation bonds | \$ 1,166,245,702 | \$ - | \$ - | \$ 28,325,000 | \$ 1,137,920,702 | \$ 60,685,000 |
| Capital appreciation interest | 19,005,018 | | 6,041,281 | | 25,046,299 | |
| Premium on general obligation bonds | <u>81,704,827</u> | | | <u>3,768,203</u> | <u>77,936,624</u> | |
| Total general obligation bonds | 1,266,955,547 | - | 6,041,281 | 32,093,203 | 1,240,903,625 | 60,685,000 |
| Compensated absences | 12,040,569 | | 18,693 | | 12,059,262 | 9,591,192 |
| Net other postemployment benefits | 106,521,368 | 260,260,154 | 13,918,063 | | 380,699,585 | |
| Net pension liability | <u>816,936,190</u> | | <u>77,544,899</u> | | <u>894,481,089</u> | |
| Total | <u>\$ 2,202,453,674</u> | <u>\$ 260,260,154</u> | <u>\$ 97,522,936</u> | <u>\$ 32,093,203</u> | <u>\$ 2,528,143,561</u> | <u>\$ 70,276,192</u> |

Compensated absences 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 |
|----------------------|---------------------|
| 2019 | \$ 1,051,343 |
| 2020 | 471,721 |
| 2021 | 394,305 |
| 2022 | 110,404 |
| 2023 | 44,517 |
| 2024 | <u>3,292</u> |
| Total | <u>\$ 2,075,582</u> |

Current year expenditures for operating leases is approximately \$1.3 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, 2018**

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 costs of issuance associated with the Refunding Bonds.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: GENERAL OBLIGATION 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 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 \$1,012,136 was recognized during the 2017-18 year.

Proceeds associated with each refunding were deposited into an irrevocable escrow account for future repayment. At June 30, 2018 outstanding balances due to be paid by the escrow agent in relation to the 2016 refunding were \$96,354,000. 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. Bonds issued under this measure will be used to finance the acquisition, construction, rehabilitation, and equipping of classrooms and school facilities within the District, and to pay the costs of issuing each series.

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 in addition to financing anticipated capital projects of 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. 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.

On May 15, 2013, the District issued General Obligation Bonds, Election 2008, Series C of \$50,000,000 serial bonds.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: GENERAL OBLIGATION 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.

On February 28, 2017, the District issued General Obligation Bonds, Election 2008, Series E of \$150,000,000 current interest serial and term bonds.

Measure E Series

On November 8, 2016, the voters approved the issuance of bonds, not to exceed \$1,500,000,000. 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 as authorized pursuant to Measure E. On February 28, 2017, the District issued General Obligation Bonds, Election 2016, Series A of \$300,000,000 current interest serial and term 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), August 1, 2016 (2016 Refunding), August 1, 2018 (Measure K, Series E), and August 1, 2018 (Measure E, Series A). 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 accruing 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, 2018**

NOTE 9: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

| General Obligation Bonds | Date of Issue | Date of Maturity | Interest Rate % | Amount of Original Issue | Outstanding June 30, 2018 |
|--------------------------|------------------|---------------------|--------------------|-----------------------------|------------------------------|
| Measure A: | | | | | |
| Series G | 7/17/2008 | 8/01/2033 | 3.50-5.44 | \$ 29,995,606 | \$ 18,035,606 |
| Accreted Interest | | | | | 10,153,075 |
| Total Measure A | | | | <u>29,995,606</u> | <u>28,188,681</u> |
| Refunding Bonds: | | | | | |
| 2008 Refunding | 7/17/2008 | 8/01/2022 | 2.57-4.28 | 38,320,000 | 9,190,000 |
| 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 | 39,850,000 |
| Series D | 4/19/2011 | 8/01/2024 | 3.00-5.25 | 11,330,000 | 6,520,000 |
| 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>136,395,000</u> |
| Total Refunding | | | | <u>350,985,000</u> | <u>273,130,000</u> |
| Measure K: | | | | | |
| Series A | 4/07/2009 | 8/01/2033 | 3.50-5.00 | 260,000,000 | 37,990,000 |
| Series B | 4/19/2011 | 8/01/2035 | 7.26-7.33 | 3,020,686 | 3,020,686 |
| Accreted Interest | | | | | 3,506,756 |
| 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 | 159,330,000 |
| Accreted Interest | | | | | 11,386,468 |
| Series D-1 | 2/19/2015 | 8/01/2039 | 3.33-4.31 | 89,998,410 | 89,998,410 |
| Series E | 2/28/2017 | 8/01/2047 | 4.00-5.00 | <u>150,000,000</u> | <u>150,000,000</u> |
| Total Measure K | | | | <u>805,425,096</u> | <u>561,648,320</u> |
| Measure E: | | | | | |
| Series A | 2/28/2017 | 8/01/2047 | 4.00-5.00 | <u>300,000,000</u> | <u>300,000,000</u> |
| Total | | | | <u>\$1,486,405,702</u> | <u>\$1,162,967,001</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, Series D, and Series E bonds included premiums of \$15,098,514, \$5,279,810, \$1,159,724, \$11,079,853, and \$6,781,933, respectively. The Measure E, Series A bond included premium of \$19,211,780. These amounts are amortized using the straight-line method. Amortization of \$3,768,203 was recognized during the 2017-18 year.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: GENERAL OBLIGATION BONDS

Payments – Measure A Series

The annual requirements to amortize Measure A bonds payable, outstanding as of June 30, 2018, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Accreted Interest</u> |
|-----------------------------|----------------------|------------------|--------------------------|
| 2019 | \$ 2,385,000 | \$ 47,700 | \$ |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024-2028 | 5,460,696 | | 7,609,304 |
| 2029-2033 | 7,991,600 | | 18,118,401 |
| 2034-2036 | 2,198,310 | | 6,696,689 |
| Total | <u>\$ 18,035,606</u> | <u>\$ 47,700</u> | <u>\$ 32,424,394</u> |

Payments – Refunding Series

The annual requirements to amortize Refunding bonds payable, outstanding as of June 30, 2018, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-----------------------|-----------------------|
| 2019 | \$ 8,700,000 | \$ 14,141,356 |
| 2020 | 12,440,000 | 13,575,656 |
| 2021 | 22,905,000 | 12,568,781 |
| 2022 | 22,490,000 | 11,257,000 |
| 2023 | 13,555,000 | 10,160,469 |
| 2024-2028 | 78,690,000 | 38,360,294 |
| 2029-2033 | 104,340,000 | 12,829,053 |
| 2034-2036 | 10,010,000 | 166,200 |
| Total | <u>\$ 273,130,000</u> | <u>\$ 113,058,809</u> |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: GENERAL OBLIGATION BONDS

Payments – Measure K Series

The annual requirements to amortize Measure K bonds payable, outstanding as of June 30, 2018, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Accreted Interest</u> |
|-----------------------------|-----------------------|-----------------------|--------------------------|
| 2019 | \$ 17,685,000 | \$ 19,709,299 | \$ |
| 2020 | 16,180,000 | 18,910,824 | |
| 2021 | 8,636,000 | 18,310,828 | |
| 2022 | 4,010,000 | 17,984,119 | |
| 2023 | 15,465,000 | 17,421,520 | |
| 2024-2028 | 66,072,158 | 79,310,162 | 5,232,842 |
| 2029-2033 | 33,497,974 | 89,939,898 | 22,087,026 |
| 2034-2038 | 61,575,976 | 146,326,875 | 81,944,025 |
| 2039-2043 | 158,322,988 | 98,471,960 | 44,937,010 |
| 2044-2048 | 165,310,000 | 14,199,150 | |
| Total | <u>\$ 546,755,096</u> | <u>\$ 520,584,635</u> | <u>\$ 154,200,903</u> |

Payments – Measure E Series

The annual requirements to amortize Measure E bonds payable, outstanding as of June 30, 2018, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-----------------------|-----------------------|
| 2019 | \$ 31,915,000 | \$ 13,392,250 |
| 2020 | 24,645,000 | 11,796,500 |
| 2021 | 27,340,000 | 10,564,250 |
| 2022 | | 9,197,250 |
| 2023 | | 9,197,250 |
| 2024-2028 | 14,125,000 | 45,986,250 |
| 2029-2033 | 23,825,000 | 44,159,750 |
| 2034-2038 | 51,585,000 | 38,083,000 |
| 2039-2043 | 82,585,000 | 27,589,000 |
| 2044-2048 | 43,980,000 | 12,375,400 |
| Total | <u>\$ 300,000,000</u> | <u>\$ 222,340,900</u> |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

The District administers a single-employer defined benefit health care plan (the Retiree Health Plan).

As of June 30, 2018, the District’s total liability for postemployment healthcare benefits consisted of the following:

| | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|-----------------------|--------------------------|--------------------------------------|-------------------------------------|---------------|
| Retiree Benefits Plan | \$ 380,699,585 | \$ 3,624,075 | \$ | \$ 27,602,150 |

The details of the plan are as follows:

Plan Description and Eligibility

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.

Membership in the health benefit plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

| Participant Type: | Number of Participants |
|--|---------------------------|
| Active - fully eligible to receive plan benefits | 1,363 |
| Active - not fully eligible | 4,921 |
| Inactive - receiving plan benefits | 731 |
| Total | 7,015 |

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. As of June 30, 2018, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors.

OPEB Liability

Since the District has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the total OPEB Liability and Net OPEB Liability are both \$380,699,585.

Actuarial Methods and Assumptions

Actuarial assumptions. The total OPEB liability was determined by applying update procedures to an actual valuation as of July 1, 2017 and rolling forward to total OPEB liability at June 30, 2018. The following actuarial assumptions used in the July 1, 2017 valuation, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Valuation Data | June 30, 2018 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age, Level Percent of Pay |
| Discount Rate | 2.98% |
| Salary Increases | 3.25% per annum (for normal cost and amortization of UAL) |
| Healthcare Costs Trend Rate | Pre-65: 7.30% for 2018; 7.00% for 2019; declining to 5.00% in 2025 and beyond Post-65: 8.60% for 2018; 8.10% for 2019; declining to 5.00% in 2025 and beyond |
| Retiree's Share of Costs | Retirees pay the balance of the premium after District contribution limited to the cost of "self-paid" health benefits |

Mortality rates were based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2015 experience study and the CalPERS mortality rates are from the 2014 experience study.

Deferred Outflow of Resources

The difference in the change in assumptions is amortized on a straight-line basis over the average working lifetime of active and inactive participants. For the June 30, 2018 measurement date, this period was 8.26 years. One-seventh is recognized in OPEB expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining seven-year period.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

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

| Year Ending June 30, | Amortization |
|----------------------|--------------|
| 2019 | \$ 499,184 |
| 2020 | 499,184 |
| 2021 | 499,184 |
| 2022 | 499,184 |
| 2023 | 499,184 |
| 2024-2025 | 1,128,155 |
| | \$ 3,624,075 |

Discount Rate.

The discount rate used to measure the OPEB liability was 2.98%, down from 3.13% which was the rate as of June 30, 2017 for the initial measurement. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the expected benefit payments. Because the OPEB plan is unfunded, the discount rate reflects the required use of the Bond Buyer 20-bond General Obligation Index.

Changes in the OPEB Liability

| | Total OPEB Liability |
|--------------------------|-------------------------|
| Balance at June 30, 2017 | \$ 366,781,522 |
| Changes for the year: | |
| Service cost | 15,409,183 |
| Interest | 11,693,783 |
| Changes in assumptions | 4,123,259 |
| Benefit payments | (17,308,162) |
| Net changes | 13,918,063 |
| Balance at June 30, 2018 | \$ 380,699,585 |

The following presents the District's OPEB liability calculated using the discount rate of 2.98 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.98 percent) or 1 percentage-point higher (3.98 percent) than the current rate:

| Discount rate | Net OPEB Liability |
|-------------------------------|-----------------------|
| 1% decrease (1.98%) | \$ 409,370,644 |
| Current discount rate (2.98%) | 380,699,585 |
| 1% increase (3.98%) | 353,389,547 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

The following presents the District’s OPEB liability calculated using the healthcare cost trend rate of 8.60 percent, as well as what the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7.60 percent) or 1 percentage-point higher (9.60% percent) that the current rate:

| Healthcare trend rate | Net OPEB Liability |
|---|-----------------------|
| 1% decrease (7.6% decreasing to 4.0%) | \$ 341,079,394 |
| Current healthcare trend rate (8.6% decreasing to 5.0%) | 380,699,585 |
| 1% increase (9.6% decreasing to 6.0%) | 426,712,111 |

OPEB Expense

For the year ended June 30, 2018, the District’s actuarially determined OPEB expense is \$27,602,150.

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, 2018, 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 retirement plans is as follows:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|-----------------------------|--------------------------|--------------------------------------|----------------------------------|-----------------|
| CalSTRS (STRP) | \$ 676,953,600 | \$ 204,136,975 | \$ 65,679,789 | \$ 65,235,830 |
| CalPERS (Schools Pool Plan) | 217,527,489 | 65,373,715 | 8,459,599 | 35,381,460 |
| Total | \$ 894,481,089 | \$ 269,510,690 | \$ 74,139,388 | \$ 100,617,290 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

| <u>Provisions and Benefits</u> | <u>STRP Defined Benefit Program and Supplement Program</u> | |
|---|--|-----------------------------|
| | On or Before December 31, 2012 | On or after January 1, 2013 |
| 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 | 10.25% | 9.205% |
| Required employer contribution rate | 14.43% | 14.43% |
| Required state contribution rate | 9.328% | 9.328% |

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, 2018 are presented above and the total District contributions were \$ 59,320,089.

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

At June 30, 2018, 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:

| <u>Proportionate Share of Net Pension Liability</u> | <u>Balance</u> |
|---|-------------------------|
| District proportionate share of net pension liability | \$ 676,953,600 |
| State's proportionate share of the net pension liability associated with the District | 400,483,293 |
| Total | <u>\$ 1,077,436,893</u> |

The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.7320%.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2018, the District recognized pension expense of \$65,235,830 and revenue of \$40,312,489 for support provided by the state. At June 30, 2018, 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 | \$ 59,320,089 | \$ - |
| Differences between expected and actual experience | 2,503,440 | 11,807,160 |
| Changes of assumptions | 125,413,560 | - |
| Changes in proportion | 16,899,886 | 35,843,469 |
| Net differences between projected and actual earnings on pension plan investments | - | 18,029,160 |
| Total | \$ 204,136,975 | \$ 65,679,789 |

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, 2019. The net difference 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 STRP for the June 30, 2016 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 |
|----------------------|---------------|
| 2019 | \$ 789,208 |
| 2020 | 27,119,248 |
| 2021 | 17,412,929 |
| 2022 | (240,473) |
| 2023 | 18,086,366 |
| 2024 | 15,969,819 |
| Total | \$ 79,137,097 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

| | |
|---------------------------|------------------------------------|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 7.10% |
| Investment Rate of Return | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect in February, 2017, the date the current experience study was approved by the board.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Best estimates of 20-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% | 6.30% |
| Real estate | 13% | 5.20% |
| Private equity | 13% | 9.30% |
| Fixed income | 12% | 0.30% |
| Absolute return/risk mitigating strategies | 9% | 2.90% |
| Inflation sensitive | 4% | 3.80% |
| Cash/liquidity | 2% | -1.00% |

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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 (7.10%) 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 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 (6.10%) | \$ 993,982,800 |
| Current discount rate (7.10%) | 676,953,600 |
| 1% increase (8.10%) | 419,662,920 |

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

| <u>Assumptions:</u> | <u>As of June 30, 2017</u> | <u>As of June 30, 2016</u> |
|---------------------------|----------------------------|----------------------------|
| Investment Rate of Return | 7.10% | 7.60% |
| Consumer Price Inflation | 2.75% | 3.00% |
| Wage Growth | 3.50% | 3.75% |

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. 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.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

| Provisions and Benefits | Schools Pool Plan (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 | 7.00% | 6.00% |
| Required employer contribution rate | 15.531% | 15.531% |

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, 2018 are as presented above and the total District contributions were \$18,282,328.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$217,527,489. The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.9112%.

For the year ended June 30, 2018, the District recognized pension expense of \$35,381,460.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

At June 30, 2018, 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 | \$ 18,282,328 | \$ - |
| Differences between expected and actual experience | 7,793,113 | - |
| Changes of assumptions | 31,773,311 | 2,561,117 |
| Changes in proportion | - | 5,898,482 |
| Net differences between projected and actual earnings on pension plan investments | 7,524,963 | - |
| Total | \$ 65,373,715 | \$ 8,459,599 |

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, 2019. 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, 2017 measurement date is 4.0 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 3.0 years.

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

| Year Ending June 30, | Amortization |
|----------------------|---------------|
| 2019 | \$ 9,444,680 |
| 2020 | 19,431,008 |
| 2021 | 13,876,769 |
| 2022 | (4,120,669) |
| Total | \$ 38,631,788 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

| | |
|---------------------------|------------------------------------|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Experience Study | July 1, 1997 through June 30, 2011 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 7.15% |
| Investment Rate of Return | 7.50% |
| 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 20 years of mortality improvements using Scale BB 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 adjusted to account for assumed administrative expenses.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-term Expected Real Rate of Return |
|-------------------------------|-----------------------------|--|
| Global equity | 47% | 5.38% |
| Fixed income | 19% | 2.27% |
| Inflation assets | 6% | 1.39% |
| Private equity | 12% | 6.63% |
| Real estate | 11% | 5.21% |
| Infrastructure and forestland | 3% | 5.39% |
| Liquidity | 2% | -0.90% |

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. 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. Based on these assumptions, the Schools Pool Plan 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:

| Discount rate | Net Pension Liability |
|-------------------------------|--------------------------|
| 1% decrease (6.15%) | \$ 320,052,643 |
| Current discount rate (7.15%) | 217,527,489 |
| 1% increase (8.15%) | 132,474,288 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS School Pool 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.

| | |
|--|--------------|
| Retirees and beneficiaries receiving benefits | 1,327 |
| Terminated plan members entitled to but not yet receiving benefits | 24,238 |
| Active plan members | 3,553 |
| Number of participating employers | 1 |
| Contributions by Employee for the year | \$ 1,351,666 |
| Contributions by Employer for the year | \$ 57,289 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: ALTERNATE PENSION PLANS

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 | | 65 |
| Terminated plan members entitled to but not yet receiving benefits | | 57 |
| Active plan members | | - |
| Number of participating employers | | 1 |
| Contributions by Employee for the year | \$ | - |
| Contributions by Employer for the year | \$ | 180,000 |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: ALTERNATE PENSION PLANS

Plan Financial Information

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

| | <u>ARS</u> | <u>PARS</u> | <u>LBSBMA</u> |
|--------------------------------|----------------------|----------------------|------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ | \$ | \$ 45,784 |
| Investments, at fair value: | | | |
| U.S. Government obligations | 17,019,509 | 11,979,596 | |
| Total Assets | <u>\$ 17,019,509</u> | <u>\$ 11,979,596</u> | <u>\$ 45,784</u> |
| | | | |
| Additions: | | | |
| Employer | \$ | \$ 57,289 | \$ 180,000 |
| Plan members | | 1,351,666 | |
| Total Contributions | <u>-</u> | <u>1,408,955</u> | <u>180,000</u> |
| Investment earnings: | | | |
| Interest and dividends | 196,148 | 130,401 | 1,027 |
| Net Investment Earnings | <u>196,148</u> | <u>130,401</u> | <u>1,027</u> |
| | | | |
| Total Additions | <u>196,148</u> | <u>1,539,356</u> | <u>181,027</u> |
| | | | |
| Deductions: | | | |
| Benefits | 585,397 | 643,156 | 220,198 |
| Administrative expenses | 98,408 | 65,332 | 641 |
| Total Deductions | <u>683,805</u> | <u>708,488</u> | <u>220,839</u> |
| | | | |
| Change in net assets | (487,657) | 830,868 | (39,812) |
| | | | |
| Net assets - beginning of year | 17,507,166 | 11,148,728 | 85,596 * |
| Net assets - end of year | <u>\$ 17,019,509</u> | <u>\$ 11,979,596</u> | <u>\$ 45,784</u> |

* Adjustment of \$28,129 because the amount reported in FY 17 included the month of July 2017.

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

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: SELF-INSURANCE FUND

portion of losses. The Deductible Insurance Fund provides general liability coverage primarily for particular property damage and bodily injury claims. The District participates in a Joint Powers Authority for claims in excess of the amount provided by the Deductible Insurance Fund and for certain other risks. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, through the Deductible Insurance Fund, the District is completely self-insured for certain other types of claims, principally related to property losses due to vandalism and natural disasters.

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

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

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

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

At June 30, 2018, 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 \$45,764,817. The Self Insurance Funds currently have a combined positive fund balance of \$36,727,739. This is largely due to workers' compensation balances. Changes in the reported liability are shown below:

| Reported Liability | Current Year Claims | | | Ending Fiscal Year Liability |
|----------------------------|------------------------------------|-----------------------------|----------------------|---------------------------------|
| | Beginning Fiscal Year Liability | and Changes in Estimates | Claim Payments | |
| Worker's compensation | \$ 32,037,075 | \$ 7,973,124 | \$ 9,621,271 | \$ 30,388,928 |
| Deductible insurance | 3,550,613 | 945,571 | 633,818 | 3,862,366 |
| Health, vision, and dental | 12,139,104 | 44,628,601 | 45,254,182 | 11,513,523 |
| Total | <u>\$ 47,726,792</u> | <u>\$ 53,547,296</u> | <u>\$ 55,509,271</u> | <u>\$ 45,764,817</u> |

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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, 2018 is as follows:

| JPA Condensed Financial Information | ASCIP | SELF |
|---|----------------|----------------|
| | 6/30/17 | 6/30/17 |
| | (Audited) | (Audited) |
| | (in thousands) | (in thousands) |
| Total assets and deferred outflows of resources | \$ 434,488 | \$ 126,580 |
| Total liabilities and deferred inflows of resources | 240,372 | 104,151 |
| Fund balance | \$ 194,116 | \$ 22,429 |
| Total revenues | \$ 271,484 | \$ 14,641 |
| Total expenditures | 262,183 | 13,747 |
| Total net change | \$ 9,301 | \$ 894 |

NOTE 15: RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position of the basic financial statements has been restated by a net reduction of \$260,260,154 in the statement of activities to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 16: 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, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$324.6 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, Cafeteria Funds, Capital Facilities Funds, and General Funds.

**NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, 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. 83 – Certain Asset Retirement Obligations

This statement was issued in November 2016 and addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

**NOTE 17: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement No. 84 – *Fiduciary Activities*

This statement was issued in January 2017 and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiary with whom a fiduciary relationship exists. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – *Leases*

This statement was issued in June 2017 and addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

This statement was issued in April 2018. The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and 3) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*

This statement was issued in August 2018. The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2018-19.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2018**

| | Budgetary Amounts | | Actual Amounts | (a) Fund Basis to GAAP | Actual Amounts |
|--|------------------------|------------------------|-----------------------|---------------------------|-----------------------|
| | Original | Final | Fund Basis | | GAAP Basis |
| Revenues | | | | | |
| Local control funding formula sources: | | | | | |
| State apportionments | \$ 590,663,516 | \$ 549,295,620 | \$ 549,295,620 | \$ | \$ 549,295,620 |
| Local sources | <u>109,320,576</u> | <u>148,613,355</u> | <u>148,613,355</u> | | <u>148,613,355</u> |
| Total local control funding formula sources | 699,984,092 | 697,908,975 | 697,908,975 | - | 697,908,975 |
| Federal sources | 57,531,042 | 63,726,510 | 51,245,785 | | 51,245,785 |
| Other state sources | 109,380,893 | 140,015,601 | 133,986,919 | | 133,986,919 |
| Other local sources | <u>15,846,007</u> | <u>62,726,536</u> | <u>63,772,981</u> | 270,550 | <u>64,043,531</u> |
| Total Revenues | <u>882,742,034</u> | <u>964,377,622</u> | <u>946,914,660</u> | 270,550 | <u>947,185,210</u> |
| Expenditures | | | | | |
| Certificated salaries | 398,689,193 | 409,867,159 | 396,803,312 | | 396,803,312 |
| Classified salaries | 121,171,413 | 124,684,926 | 121,263,611 | | 121,263,611 |
| Employee benefits | 236,096,049 | 239,168,796 | 234,665,822 | | 234,665,822 |
| Books and supplies | 38,552,467 | 49,179,248 | 24,817,490 | | 24,817,490 |
| Services and other operating expenditures | 97,267,954 | 111,269,597 | 101,177,381 | | 101,177,381 |
| Capital outlay | 2,112,410 | 6,253,154 | 5,375,393 | | 5,375,393 |
| Other transfers out | 642,201 | 335,978 | 174,584 | | 174,584 |
| Direct support - indirect cost | <u>(1,389,187)</u> | <u>(1,473,831)</u> | <u>(1,375,781)</u> | | <u>(1,375,781)</u> |
| Total Expenditures | <u>893,142,500</u> | <u>939,285,027</u> | <u>882,901,812</u> | - | <u>882,901,812</u> |
| Excess (deficiency) of revenues over expenditures | <u>(10,400,466)</u> | <u>25,092,595</u> | <u>64,012,848</u> | 270,550 | <u>64,283,398</u> |
| Other Financing Sources (Uses) | | | | | |
| Interfund transfers in | | | | 39,128,335 | 39,128,335 |
| Interfund transfers out | <u>(4,000,000)</u> | <u>(43,128,335)</u> | <u>(39,128,335)</u> | | <u>(39,128,335)</u> |
| Total Other Financing Sources (Uses) | <u>(4,000,000)</u> | <u>(43,128,335)</u> | <u>(39,128,335)</u> | 39,128,335 | - |
| Net change in fund balances | <u>\$ (14,400,466)</u> | <u>\$ (18,035,740)</u> | 24,884,513 | 39,398,885 | 64,283,398 |
| Fund Balance - Beginning of Year | | | <u>194,367,430</u> | <u>6,172,990</u> | <u>200,540,420</u> |
| Fund Balance - End of Year | | | <u>\$ 219,251,943</u> | <u>\$ 45,571,875</u> | <u>\$ 264,823,818</u> |

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

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL POSTEMPLOYMENT
HEALTHCARE BENEFITS LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018**

| | <u>2018</u> |
|--|-----------------------|
| Total OPEB liability | |
| Service cost | \$ 15,409,183 |
| Interest | 11,693,783 |
| Changes in assumptions | 4,123,259 |
| Benefit payments | <u>(17,308,162)</u> |
| Net change in total OPEB liability | <u>13,918,063</u> |
| Total OPEB liability - beginning | <u>366,781,522</u> |
| Total OPEB liability - ending | <u>\$ 380,699,585</u> |
| | |
| Covered-employee payroll | \$ 474,449,675 |
| | |
| Total OPEB liability as a percentage of covered-employee payroll | 80% |

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.

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, 2018

| <u>State Teachers' Retirement Plan</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|-----------------------|-----------------------|-----------------------|-------------------------|
| District's proportion of the net pension liability | 0.7580% | 0.7490% | 0.7810% | 0.7320% |
| District's proportionate share of the net pension liability | \$ 442,952,460 | \$ 504,256,760 | \$ 631,680,610 | \$ 676,953,600 |
| State's proportionate share of the net pension liability associated with the District | 267,476,506 | 266,695,523 | 359,657,447 | 400,483,293 |
| Total | <u>\$ 710,428,966</u> | <u>\$ 770,952,283</u> | <u>\$ 991,338,057</u> | <u>\$ 1,077,436,893</u> |
| District's covered payroll (1) | \$ 331,000,000 | \$ 362,000,000 | \$ 387,000,000 | \$ 398,500,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 133.82% | 139.30% | 163.22% | 169.88% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.00% | 74.00% | 70.00% | 69.00% |
| | | | | |
| <u>California Public Employees' Retirement Plan</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| District's proportion of the net pension liability | 0.9870% | 0.9607% | 0.9380% | 0.9112% |
| District's proportionate share of the net pension liability | \$ 112,048,432 | \$ 141,608,128 | \$ 185,255,580 | \$ 217,527,489 |
| District's covered payroll (1) | \$ 100,600,000 | \$ 110,000,000 | \$ 116,000,000 | \$ 120,600,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 111.38% | 128.73% | 159.70% | 180.37% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.00% | 79.00% | 74.00% | 72.00% |

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, 2018**

| State Teachers' Retirement Plan | 2015 | 2016 | 2017 | 2018 |
|---|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 32,113,470 | \$ 41,474,018 | \$ 50,113,529 | \$ 59,320,089 |
| Contributions in relation to the contractually required contributions | <u>32,113,470</u> | <u>41,474,018</u> | <u>50,113,529</u> | <u>59,320,089</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 362,000,000 | \$ 387,000,000 | \$ 398,500,000 | \$ 411,000,000 |
| Contributions as a percentage of its covered payroll | 8.88% | 10.73% | 12.58% | 14.43% |
| | | | | |
| California Public Employees' Retirement Plan | 2015 | 2016 | 2017 | 2018 |
| Contractually required contribution | \$ 12,951,826 | \$ 13,710,319 | \$ 16,755,293 | \$ 18,282,328 |
| Contributions in relation to the contractually required contributions | <u>12,951,826</u> | <u>13,710,319</u> | <u>16,755,293</u> | <u>18,282,328</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 110,000,000 | \$ 116,000,000 | \$ 120,600,000 | \$ 117,700,000 |
| Contributions as a percentage of its covered payroll | 11.77% | 11.85% | 13.89% | 15.53% |

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

See the accompanying notes to the required supplementary information.

LONG BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

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 Changes in the District's Total Postemployment Healthcare Benefits Liability and Related Ratios

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment healthcare benefits other than pensions.

Benefit changes - None

Changes of Assumptions - The discount rate and expected rate of return on assets was changed from 3.13% to 2.98% based on the change in 20-year municipal bond yields.

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

There were no excesses of expenditures over appropriations in the general fund.

SUPPLEMENTARY INFORMATION

LONG BEACH UNIFIED SCHOOL DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018**

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-three middle and K-8 schools, fourteen 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, 2018 were as follows:

DISTRICT BOARD OF EDUCATION

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

DISTRICT ADMINISTRATORS

| | |
|----------------------------|---|
| Christopher J. Steinhauser | Superintendent |
| Dr. Jill Baker | Deputy Superintendent of Schools |
| Ruth Perez Ashley | Deputy Superintendent of Educational 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, 2018

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, 2018 are as follows:

| | Revised Second Period | Revised Annual |
|---|--------------------------|----------------------|
| Grades Transitional Kindergarten through third: | | |
| Regular ADA | 21,649 | 21,653 |
| Extended year special education | 19 | 19 |
| Special education - nonpublic, nonsectarian schools | 21 | 29 |
| Extended year special education - nonpublic, nonsectarian schools | 2 | 2 |
| Total grades transitional kindergarten through third ADA | <u>21,691</u> | <u>21,703</u> |
| Grades four through six: | | |
| Regular ADA | 16,248 | 16,213 |
| Extended year special education | 18 | 18 |
| Special education - nonpublic, nonsectarian schools | 28 | 38 |
| Extended year special education - nonpublic, nonsectarian schools | 3 | 3 |
| Total grades four through six ADA | <u>16,297</u> | <u>16,272</u> |
| Grades seven and eight: | | |
| Regular ADA | 10,716 | 10,681 |
| Extended year special education | 16 | 16 |
| Special education - nonpublic, nonsectarian schools | 28 | 37 |
| Extended year special education - nonpublic, nonsectarian schools | 3 | 4 |
| Total grades seven and eight ADA | <u>10,763</u> | <u>10,738</u> |
| Grades nine through twelve: | | |
| Regular ADA | 22,163 | 21,937 |
| Extended year special education | 70 | 70 |
| Special education - nonpublic, nonsectarian schools | 67 | 88 |
| Extended year special education - nonpublic, nonsectarian schools | 15 | 18 |
| Total grades nine through twelve ADA | <u>22,315</u> | <u>22,113</u> |
| Total ADA | <u><u>71,066</u></u> | <u><u>70,826</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, 2018**

| Grade Level | Minute Requirement | Actual Minutes | Number of Days Traditional Calendar | Status |
|--------------|-----------------------|----------------|--|---------------|
| Kindergarten | 36,000 | 36,000 | 180 | In Compliance |
| Grade 1 | 50,400 | 50,850 | 180 | In Compliance |
| Grade 2 | 50,400 | 50,850 | 180 | In Compliance |
| Grade 3 | 50,400 | 50,850 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,150 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,150 | 180 | In Compliance |
| Grade 6 | 54,000 | 54,150 | 180 | In Compliance |
| Grade 7 | 54,000 | 54,150 | 180 | In Compliance |
| Grade 8 | 54,000 | 54,150 | 180 | In Compliance |
| Grade 9 | 64,800 | 64,842 | 180 | In Compliance |
| Grade 10 | 64,800 | 64,842 | 180 | In Compliance |
| Grade 11 | 64,800 | 64,842 | 180 | In Compliance |
| Grade 12 | 64,800 | 64,842 | 180 | In Compliance |

Note: District received approval from the California Department of Education dated July 13, 2018 for 12,508 minutes of instructional time lost on October 23-24, 2017 and the above schedule includes the aforementioned minutes of instructional time.

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, 2018

| 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 | \$ 19,579,088 |
| Child Nutrition Program-Basic Breakfast | 10.553 | 13525 | 11,241 |
| Child Nutrition Program-Especially Needy Breakfast | 10.553 | 13526 | 4,687,882 |
| Donated Food Commodities | 10.555 | (1) | 2,740,668 |
| Federal Snack Program | 10.000 | (1) | 367,935 |
| Subtotal: Child Nutrition Cluster | | | <u>27,386,814</u> |
| Child and Adult Care Food Program | 10.558 | 13529 | 1,750,344 |
| Child and Adult Care Food Program: Summer Program Operations | 10.559 | 13004 | 315,277 |
| Fresh Fruit and Vegetable Program | 10.582 | 14968 | 140,233 |
| Cash in Lieu of Commodities | 10.558 | 13534 | 104,859 |
| Total: United States Department of Agriculture | | | <u>29,697,527</u> |
| United States Department of Defense | | | |
| Reserve Officer Training Corp (ROTC) | 12.000 | (1) | 195,411 |
| Total: United States Department of Defense | | | <u>195,411</u> |
| United States Department of Education | | | |
| Indian Education | 84.060 | (1) | 9,561 |
| Skills for Success | 84.215 | (1) | 296,701 |
| Subtotal: Direct Programs | | | <u>306,262</u> |
| Pass-Through Program From California Department of Education: | | | |
| Special Education Cluster: | | | |
| IDEA Basic Local Assistance Entitlement | 84.027 | 13379 | 12,186,151 |
| IDEA Basic Local Assist - Private School | 84.027 | 10115 | 161,865 |
| Federal Preschool Grant | 84.173 | 13430 | 305,896 |
| Preschool Local Entitlement | 84.027A | 13682 | 1,062,676 |
| IDEA Mental Health Allocation Plan, Part B Sec 611 | 84.027A | 14468 | 845,173 |
| Preschool Staff Development | 84.173A | 13431 | 3,259 |
| Early Intervention | 84.181 | 23761 | 264,596 |
| Alternative Dispute Resolution | 84.027A | 13007 | 15,823 |
| Subtotal: Special Education Cluster | | | <u>14,845,439</u> |
| Adult Education Cluster: | | | |
| Adult Basic Education and ESL | 84.002A | 14508 | 97,886 |
| Adult Secondary Education | 84.002A | 13978 | 22,117 |
| English Literacy and Civics Education | 84.002A | 14109 | 58,290 |
| Subtotal: Adult Education Cluster | | | <u>178,293</u> |
| Title I, Part A - Low Income and Neglected | 84.010 | 14329 | 25,092,621 |
| Title II, Part A - Improving Teacher Quality | 84.367 | 14341 | 2,943,213 |
| Migrant Education | 84.011 | 14838 | 282,501 |
| Migrant Education Summer Program | 84.011 | 10005 | 47,681 |
| Migrant Education Even Start (MEES) | 84.011 | 14768 | 38,207 |
| Title III - Limited English Proficiency | 84.365 | 14346 | 2,437,132 |
| Title III -Immigrant Student Program | 84.365 | 15146 | 72,878 |

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, 2018

| Program Name | Federal Catalog Number | Pass-Through Entity Identifying Number | Total Program Expenditures |
|---|---------------------------|--|-------------------------------|
| Title IV, Part B, 21st Century Learning Centers No Child Left Behind: Title X McKinney - Vento Homeless Children Assistance Grant | 84.287 | 14349 | 258,391 |
| Career and Technical Education - Adult | 84.196 | 14332 | 170,775 |
| Career and Technical Education - Secondary | 84.048 | 14893 | 3,456 |
| | 84.048 | 14894 | 679,202 |
| Subtotal: Pass-Through Programs From California Department of Education | | | <u>47,049,789</u> |
| Pass-Through Program From California Department of Rehabilitation: | | | |
| Workability II, Transition Partnership | 84.158 | 10006 | 381,968 |
| CaPROMISE | 84.418P | (1) | 489,969 |
| Subtotal: Pass-Through From California Department of Rehabilitation | | | <u>871,937</u> |
| Total: United States Department of Education | | | <u>48,227,988</u> |
| United States Department of Health and Human Services | | | |
| Head Start | 93.600 | 10016 | 50,398 |
| Head Start-Early | 93.600 | (1) | 3,082,094 |
| Head Start-Basic Grant | 93.600 | (1) | 23,614,826 |
| Head Start-Training & Tech Assistance | 93.600 | (1) | 147,790 |
| Subtotal: Direct Programs | | | <u>26,895,108</u> |
| Pass-Through Program From California Department of Education: | | | |
| Child Development - Federal Child Care Cluster | | | |
| Federal Child Care | 93.596 | 13609 | 1,590,370 |
| Subtotal: Child Development - Federal Child Care Cluster | | | <u>1,590,370</u> |
| Pass-Through Program From California Department of Health and Services: | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | 1,369,968 |
| Total: United States Department of Health and Human Services | | | <u>29,855,446</u> |
| The Federal Emergency Management Agency | | | |
| Public Assistance Funds | 97.036 | (1) | 227,835 |
| Subtotal: Child Development - Federal Child Care Cluster | | | <u>227,835</u> |
| Total Federal Programs | | | <u><u>\$ 108,204,207</u></u> |
| Reconciliation to Federal Revenue | | | |
| Total Federal Program Expenditures | | | \$ 108,204,207 |
| Revenues in excess of expenditures related to Federal Entitlements: | | | |
| Medi-Cal - Administrative | 93.778 | 10600 | 1,329,469 |
| FEMA - Public Assistance Funds | 97.036 | (1) | 23,903 |
| Title I, Part G: Advanced Placement | | | 49,504 |
| Other Federal Revenue | | | |
| Qualified School Construction Bonds | | | 3,564,982 |
| Total Federal Program Revenue | | | <u><u>\$ 113,172,065</u></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 \$2,740,668 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, 2018**

| | <u>2019 (Budgeted)</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total revenues | \$ 944,469,094 | \$ 946,914,660 | \$ 895,788,214 | \$ 893,958,614 |
| Total expenditures | (919,625,601) | (882,901,812) | (880,968,834) | (832,250,130) |
| Total other sources (uses) | <u>(4,000,000)</u> | <u>(39,128,335)</u> | <u>500,000</u> | <u>2,200,000</u> |
| Change in fund balance | 20,843,493 | 24,884,513 | 15,319,380 | 63,908,484 |
| Ending fund balance | <u>\$ 240,095,436</u> | <u>\$ 219,251,943</u> | <u>\$ 194,367,430</u> | <u>\$ 179,048,050</u> |
| Available reserve | <u>\$ 120,662,269</u> | <u>\$ 125,314,549</u> | <u>\$ 111,756,089</u> | <u>\$ 92,881,553</u> |
| Available reserve % | 13% | 14% | 13% | 11% |
| ADA | <u>69,657</u> | <u>71,066</u> | <u>72,877</u> | <u>74,233</u> |
| Total long term debt | <u>\$ 2,470,055,107</u> | <u>\$ 2,528,143,561</u> | <u>\$ 2,202,453,674</u> | <u>\$ 1,570,480,296</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, 2018, the District has met this requirement.

The 2019 budget is the original budget adopted on June 20, 2018.

Average daily attendance is based upon P-2.

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2018**

| <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, 2018

| | <u>Building Fund</u> |
|---|-----------------------|
| June 30, 2018 Annual Financial and Budget Report Fund Balance | \$ 339,131,531 |
| Adjustments and Reclassifications: | |
| Accounts payable overstated | <u>3,431,280</u> |
| June 30, 2018 Audited Financial Statement Fund Balance | <u>\$ 342,562,811</u> |

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, 2018**

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, 2018. 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, 2018**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

The *2017-18 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 *2017-18 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 AUDITORS' REPORT

**INDEPENDENT AUDITORS' 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 Long Beach Unified School District (the District), as of and for the year ended June 30, 2018, 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 27, 2018.

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 AUDITORS' 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 from 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 27, 2018

**INDEPENDENT AUDITORS' 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, 2018. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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.

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

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.

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, 2018.

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 AUDITORS' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California

November 27, 2018

INDEPENDENT AUDITORS' 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 *2017-18 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, 2018. 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.

Auditors' 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 *2017-18 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 AUDITORS' 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 |
| Apprenticeship Related and Supplemental Instruction | Not Applicable |
| 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 |
| 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 AUDITORS' 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, 2018.

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 *2017-18 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.



CliftonLarsonAllen LLP

Glendora, California

November 27, 2018

FINDINGS AND QUESTIONED COSTS

**LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS
June 30, 2018**

SECTION I – SUMMARY OF AUDITORS' 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? Yes X No
 Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified? Yes X None Reported

Type of auditors' 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> |
|-----------------------|---|
| 10.553 | Child Nutrition Cluster |

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

Auditee qualified as low-risk auditee? X Yes No

**LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2018**

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, 2018.

LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2018.

**LONG BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2018**

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2018

LONG BEACH UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2018

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