

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**LOS ANGELES COUNTY**

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

**June 30, 2015**



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
June 30, 2015**

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**LONG BEACH UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT**

**June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

### **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 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Board of Education  
Long Beach Unified School District

## **Opinions**

In our opinion, the financial statements listed above 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 Long Beach Unified School District as of June 30, 2015, 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.

## **Change in Accounting Principle**

As discussed in Note 14 to the basic financial statements, in 2015 the Long Beach Unified School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement no. 68*. Our opinion is not modified with respect to this matter.

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

Board of Education  
Long Beach Unified School District


*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach Unified School District's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information 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 23, 2015 on our consideration of the Long Beach Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Long Beach Unified School District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

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, 2015. Please read this special report in conjunction with the financial statements following this section.

**ABOUT LONG BEACH UNIFIED SCHOOL DISTRICT**

The Long Beach Unified School District has earned a reputation as one of America's finest school systems, winning many awards as a national model of excellence. The school district was named a national winner of the [Broad Prize for Urban Education](#), recognizing America's best urban school system for increasing student achievement. LBUSD also has been a five-time finalist for the prize.

Established in 1885 with fewer than a dozen students meeting in a borrowed tent, LBUSD now educates over 79,000 students in eighty-one (81) K–12 schools, one adult school and two (2) charter schools in the cities of Long Beach, Signal Hill, Santa Catalina Island, the major portion of Lakewood and unincorporated Los Angeles County Territory. One of the largest school districts in California, it serves the most diverse large city in the United States, with dozens of different languages spoken by local students. The District employs more than 7,100 full-time equivalent people, making it the second largest employer in Long Beach.

**Financial Highlights**

- Overall revenues and other financing sources totaled \$916.2 million or \$16.2 million more than expenditures.
- Overall the District's net position increased by \$16.2 million or 3.8% over the course of the year after removing the adjustment for the cumulative effect of a change in accounting principle. This change in accounting principle is discussed in Note 14 on page 63 of this report.
- The District's total long term debt obligations increased significantly during the year. The District issued \$270 million in GO Bonds. In addition, the accounting principle change related to future pension expense added \$555 million to long term debt obligations. (see Note 10 on page 45)
- 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 \$96.6 million or 12.7% of total General Fund expenditures.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

**Overview of the Financial Statements**

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

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

The financial statements also include notes that provide explanations or more detailed information. The financial statements comparing the District's General Fund budgeted to actual amounts for the year are supplemented by a narrative on significant variances starting on page vi (see page 67).

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

**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 2014–15 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.

**Summary of Statement of Net Position**

	As of 6/30/2014*	As of 6/30/2015	Variance
Non-Capital Assets	\$ 416,170,860	\$ 635,943,213	52.81%
Capital Assets	<u>774,295,626</u>	<u>882,678,749</u>	14.00%
Total Assets	<u>1,190,466,486</u>	<u>1,518,621,962</u>	27.57%
Deferred charge on refunding	4,047,011	3,809,516	-5.87%
Deferred outflows of resources - pension contributions	<u>                    </u>	<u>45,065,296</u>	-
Total Deferred Outflows of Resources	<u>4,047,011</u>	<u>48,874,812</u>	1107.68%
Current Liabilities	149,536,583	196,143,387	31.17%
Long-term Liabilities	<u>620,708,246</u>	<u>1,438,831,622</u>	131.80%
Total Liabilities	<u>770,244,829</u>	<u>1,634,975,009</u>	112.27%
Deferred Inflows of Resources - pension costs	<u>                    </u>	147,577,330	-
Deferred Inflows of Resources - changes in proportion	<u>                    </u>	<u>3,710,132</u>	-
Total Deferred Inflows of Resources	<u>-</u>	<u>151,287,462</u>	
Invested In Capital Assets, Net of Related Debt	279,202,039	297,475,413	6.54%
Net Position Legally Restricted	106,629,594	102,667,684	-3.72%
Net Position Unrestricted	<u>38,437,035</u>	<u>(618,908,794)</u>	-1710.19%
Total Net Position	<u>\$ 424,268,668</u>	<u>\$ (218,765,697)</u>	-151.56%

\* The prior year has not been restated for the implementation of GASB Statements No. 68 and No. 71.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

The District's combined net position decreased to \$(218) million during fiscal year 2014-15 due primarily to an adjustment for a change in accounting principle as discussed in Note 14. Without this adjustment, the net position increased from \$424 million to \$440 million.

**Summary of Statement of Activities**

	<u>2013-14*</u>	<u>2014-15</u>	<u>Variance</u>
Program Revenues:			
Charges for Services	\$ 8,600,890	\$ 5,154,488	-40.07%
Operating Grants and Contributions	200,552,661	215,057,460	7.23%
Capital Grants and Contributions	3,012,089	19,761,780	556.08%
General Revenues:			
Property Taxes	137,009,009	153,584,029	12.10%
Federal and State Aid Unrestricted	447,154,257	510,180,027	14.09%
Interest, Investment and Miscellaneous	<u>11,430,581</u>	<u>12,455,321</u>	8.96%
Total Revenues	<u>807,759,487</u>	<u>916,193,105</u>	13.42%
Instruction and Related Services	566,821,964	644,463,987	13.70%
Pupil Services	79,668,104	85,806,860	7.71%
General Administration	31,020,267	32,230,619	3.90%
Ancillary, Community, and			
Enterprise Activities	7,779,143	8,360,268	7.47%
Plant Services	98,683,912	101,751,969	3.11%
Debt Service	27,177,039	26,636,370	-1.99%
Other Outgo	<u>386,594</u>	<u>745,724</u>	92.90%
Total Expenses	<u>811,537,023</u>	<u>899,995,797</u>	10.90%
Change in Net Position	<u>(3,777,536)</u>	<u>16,197,308</u>	528.78%
Net Position, Beginning, as Originally Stated	428,046,204	424,268,668	-0.88%
Cumulative Effect of Change in Accounting Princip	<u>-</u>	<u>(659,231,673)</u>	-100.00%
Net Position, Beginning, as Restated	<u>428,046,204</u>	<u>(234,963,005)</u>	-154.89%
Net Position, Ending	<u>\$ 424,268,668</u>	<u>\$ (218,765,697)</u>	-151.56%

\* The prior year has not been restated for the implementation of GASB Statements No. 68 and No. 71.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

Total revenues increased between 2013–14 and 2014–15. The major contributor was the increase in state funding through the second year implementation of the local control funding formula (LCFF). LCFF replaced the prior state funding formula (revenue limit) and will take eight (8) years to be fully funded. LCFF “target funding” is based on tiered funding for grade levels and “supplemental” and “concentration” funding for the neediest students – students qualifying for free or reduced lunches, English language learners, foster youth and homeless students. The State is providing a percentage of the gap between current funding and target funding each year until 2020–2021, when full target funding is to be implemented.

Target funding estimates at full implementation will provide an additional \$250 million per year for LBUSD. This long awaited increase in funding and emphasis on education in California will dramatically change the educational opportunities available to the students of the district.

General revenues increased \$80 million between years, while revenue for grants and contributions increased \$31 million. Expenditures increased accordingly as the district was able to use the supplemental and concentration funds to serve students. With increased targeted funding sources, the District’s expenditures will increase each year, but extreme caution will be exercised to ensure that expenditures can be quickly adjusted to match the percentages of LCFF gap funding provided by the State.

**Fund Financial Statements**

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

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

The District operates three types of funds:

- **Governmental funds** (see pages 3 and 5). Most of the District’s basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other assets can readily be converted to cash flow and (2) the amount of funds remaining at year–end for subsequent year spending. Therefore, the governmental fund statements provide a detailed, short–term view to assist the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs and activities.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

- **Internal service funds** (see pages 7, 8 and 9). The District uses internal service funds to report proprietary activities that provide services to its other program activities. The District currently has one internal service fund – the Self–Insurance Fund.
- **Fiduciary funds** (see pages 10 and 11). The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds at schools. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets are entrusted. The District excludes these activities from the District–wide financial statements because it is prohibited from using these assets to finance its operations.

**Financial Analysis of the District's Funds**

As the District completed the year, its governmental funds reported combined fund balances of \$459.6 million, compared to last year's combined ending balances of \$282.3 million. The Building Fund ending balance increased by \$154.8 million to \$244.1 million between years as a net result of the issuance of \$270 million in bonds offset by the use of bond funds on multiple projects, including the reconstruction of Roosevelt Elementary, Newcomb K–8 School and major modernization to Jordan High School.

**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:

- Actual revenues available were \$14 million below final budgeted amounts. This is primarily the result of grant awards budgeted with no cost yet incurred.
- Expenditure categories generally reflected lower amounts than the final budgeted amount. The balances that were generated by restricted grants and entitlements will become carryover funds for 2015–16.
- The expenditure category of Books and Supplies include amounts that are being held in reserve in the Revised Final Budget.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

**Summary of General Fund Budgetary Highlights**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Revised Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Revised Final</u>		
<b>Revenues:</b>				
LCFF Sources	\$ 582,964,131	\$ 589,352,680	\$ 587,987,901	\$ (1,364,779)
Federal Sources	70,070,627	74,698,601	57,915,024	(16,783,577)
Other State Sources	91,606,923	111,714,453	104,845,757	(6,868,696)
Other Local Sources	17,150,487	29,132,783	21,832,444	(7,300,339)
<b>Total Revenues</b>	<u>761,792,168</u>	<u>804,898,517</u>	<u>772,581,126</u>	<u>(32,317,391)</u>
<b>Expenditures:</b>				
Certificated Salaries	356,494,414	377,175,231	357,163,653	20,011,578
Classified Salaries	102,754,564	108,495,328	108,884,413	(389,085)
Employee Benefits	186,782,609	191,237,352	182,543,531	8,693,821
Books & Supplies	41,600,462	67,101,266	29,517,482	37,583,784
Services, Other Operating Expenses	84,999,304	91,961,751	80,539,442	11,422,309
Capital Outlay	1,410,181	2,224,544	1,533,710	690,834
Other Outgo	207,450	814,463	920,274	(105,811)
Direct Support/Indirect Costs:	(1,206,812)	(1,166,521)	(1,516,423)	349,902
<b>Total Expenditures</b>	<u>773,042,172</u>	<u>837,843,414</u>	<u>759,586,082</u>	<u>78,257,332</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(11,250,004)</u>	<u>(32,944,897)</u>	<u>12,995,044</u>	<u>45,939,941</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,250,000	2,000,000		2,000,000
Transfers out	(196,821)	(2,196,821)	(2,248,797)	(51,976)
<b>Total Other financing sources (uses):</b>	<u>1,053,179</u>	<u>(196,821)</u>	<u>(2,248,797)</u>	<u>(51,976)</u>
<b>Net change in fund balance</b>	<u>\$ (10,196,825)</u>	<u>\$ (33,141,718)</u>	10,746,247	<u>\$ 45,887,965</u>
<b>Fund balance - July 1, 2014</b>			<u>104,393,319</u>	
<b>Fund balance - June 30, 2015</b>			<u>\$ 115,139,566</u>	

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

**Capital Assets and Long-Term Debt** (See page 42 and 43)

**Capital Assets**

By the end of fiscal year 2014–15, the District had invested \$1,322.5 million in a broad range of capital assets, including land, land improvements, buildings, work in progress, vehicles, machinery and equipment. This amount represents an increase of \$121.2 million, or 10% over last year. This increase is partially due to the progress being made on Newcomb K–8 School, Roosevelt Elementary School and Jordan High School.

**Long-Term Debt**

At year-end, the District had \$1,476.6 million in long-term debt. General Obligation Bonds accounted for \$833.1 million, including related premium and accreted interest. The District's current bond rating is AA2. The remaining \$643.5 million in long-term debt represents the value of accumulated employee vacation time, the net OPEB obligation, capital leases and the net pension liability in the amount of \$555 million required to be reported in the financial statements per GASB 68 and GASB 71.

**Economic Factors That May Affect the Future**

The state budget for education has a positive outlook this year due to the continued improving economy and the passage of Proposition 30 in November 2012. The new local control funding formula (LCFF) for schools is supplying much-needed dollars toward reducing the achievement gap in our state but will require 8 years to reach full implementation. As long as the state revenue meets or exceeds projections, schools should receive the scheduled increases in funding. The sales tax increase in Proposition 30 will expire in one year, while the personal income tax increase will expire in three years. To maintain the level of funding under Proposition 30, general state revenues will need to replace this revenue source.

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

**Contacting the District's Financial Management**

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

**FUNDS AND DEFINITIONS OF ACCOUNTING TERMS**

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

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

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

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

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

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



**FINANCIAL SECTION**

# LONG BEACH UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 591,927,238
Cash on hand and in banks	4,101,347
Cash in revolving fund	1,231,615
Cash collections awaiting deposit	22,487
Accounts receivable:	
Federal and state governments	26,033,931
Local governments	6,227,234
Miscellaneous	3,055,964
Inventories	2,866,381
Prepaid expenditures	477,016
Land	113,922,550
Work in progress	230,612,172
Depreciable assets, net	<u>538,144,027</u>
<b>Total Assets</b>	<b><u>1,518,621,962</u></b>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	3,809,516
Deferred outflows of resources - pension contributions	<u>45,065,296</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>48,874,812</u></b>
<b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	81,578,828
Accrued interest payable	12,407,955
Unearned revenue	18,206,869
Estimated liability for open claims and IBNR's	46,108,676
Current portion of long-term liabilities:	
General obligation bonds	29,410,000
Capital leases	2,217
Compensated absences	8,428,842
Non-current portion of long-term liabilities:	
General obligation bonds	803,726,279
Compensated absences	2,548,877
Net pension liability	555,000,992
Other postemployment benefits	<u>77,555,474</u>
<b>Total Liabilities</b>	<b><u>1,634,975,009</u></b>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows of resources - pension costs	147,577,330
Deferred inflows of resources - changes in proportion	<u>3,710,132</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>151,287,462</u></b>
<b><u>Net Position</u></b>	
Invested in capital assets, net of related debt	297,475,413
Restricted for:	
Debt service	46,170,904
Educational programs	24,989,054
Capital projects	22,885,259
Other programs	8,622,467
Unrestricted	<u>(618,908,794)</u>
<b>Total Net Position</b>	<b><u>\$ (218,765,697)</u></b>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2015**

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental Activities</b>					
Instruction	\$ 552,515,134	\$ 301,177	\$ 117,548,953	\$	\$ (434,665,004)
Instruction - related services	91,948,853	129,188	28,982,170		(62,837,495)
Pupil services	85,806,860	4,172,058	42,154,673		(39,480,129)
Ancillary services	1,057,946	99	11,691		(1,046,156)
Community services	6,981,664	388	545,322		(6,435,954)
Enterprise activities	320,658				(320,658)
General administration	32,230,619	65,488	6,435,337		(25,729,794)
Plant services	101,751,969	486,033	18,934,116	19,761,780	(62,570,040)
Other outgoing	745,724	57	445,198		(300,469)
Debt service - interest	26,636,370				(26,636,370)
<b>Total School District</b>	<u>\$ 899,995,797</u>	<u>\$ 5,154,488</u>	<u>\$ 215,057,460</u>	<u>\$ 19,761,780</u>	<u>(660,022,069)</u>
<b>General Revenues</b>					
Property taxes levied for					
General purposes					
					100,779,434
Debt service					
					49,952,865
Other specific purposes					
					2,851,730
Federal and state aid not restricted to specific purposes					
					510,180,027
Interest and investment earnings					
					1,131,064
Miscellaneous					
					11,324,257
<b>Total General Revenues and Special Items</b>					
					<u>676,219,377</u>
Change in net assets					
					<u>16,197,308</u>
<b>Net Position - Beginning of Year, as originally stated</b>					
					424,268,668
<b>Cumulative effect of change in accounting principle (see note 14)</b>					
					<u>(659,231,673)</u>
<b>Net Position - Beginning of Year, after cumulative effect</b>					
					<u>(234,963,005)</u>
<b>Net Position - End of Year</b>					
					<u>\$ (218,765,697)</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash in county treasury	\$ 163,718,356	\$ 269,840,893	\$ 58,578,859	\$ 26,158,261	\$ 518,296,369
Cash on hand and in banks				4,101,347	4,101,347
Cash in revolving fund	400,100			1,515	401,615
Cash collections awaiting deposit				22,487	22,487
Accounts receivable:					
Federal and state governments	18,755,851			7,278,080	26,033,931
Local governments	2,163,575				2,163,575
Miscellaneous	1,591,610	685,347		408,617	2,685,574
Due from other funds	3,173,582				3,173,582
Inventories	1,496,253			1,370,128	2,866,381
Prepaid expenditures	458,951			18,065	477,016
<b>Total Assets</b>	<u>\$ 191,758,278</u>	<u>\$ 270,526,240</u>	<u>\$ 58,578,859</u>	<u>\$ 39,358,500</u>	<u>\$ 560,221,877</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 49,794,011	\$ 26,372,012	\$	\$ 3,104,178	\$ 79,270,201
Due to other funds		28,584		3,144,998	3,173,582
Unearned revenue	18,089,546			117,323	18,206,869
<b>Total Liabilities</b>	<u>67,883,557</u>	<u>26,400,596</u>	<u>-</u>	<u>6,366,499</u>	<u>100,650,652</u>
<b>Fund Balances</b>					
Nonspendable	2,355,304			1,389,708	3,745,012
Restricted	24,894,488	244,125,644	58,578,859	31,602,293	359,201,284
Assigned	14,735,155				14,735,155
Unassigned	81,889,774				81,889,774
<b>Total Fund Balances</b>	<u>123,874,721</u>	<u>244,125,644</u>	<u>58,578,859</u>	<u>32,992,001</u>	<u>459,571,225</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 191,758,278</u>	<u>\$ 270,526,240</u>	<u>\$ 58,578,859</u>	<u>\$ 39,358,500</u>	<u>\$ 560,221,877</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

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

Total fund balance - governmental funds	\$ 459,571,225
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,322,535,415 and the accumulated depreciation is \$439,856,666. The net value of capital assets is -	882,678,749
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the funds.	4,063,659
The accrued interest for general obligation bonds is -	(12,407,955)
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.	26,413,956
Deferred charge on refunding to be amortized over the life of the refunded or refunding debt	3,809,516
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	(781,405,702)
Unmatured Premium General Obligation Bonds	(43,734,653)
Accreted Interest on Capital Appreciation Bonds	(7,995,924)
Capital leases	(2,217)
Compensated Absences Payable	(10,977,719)
Net pension liability	(555,000,992)
Net Other Postemployment Benefits Obligation	(77,555,474)
	(1,476,672,681)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported	
Deferred outflows of resources relating to pension contributions	45,065,296
Deferred inflows of resources relating to pension costs	(147,577,330)
Deferred inflows of resources relating to changes in proportion	(3,710,132)
Total net position - governmental activities	\$ (218,765,697)

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

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

**For the Fiscal Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Local Ccontrol Funding Formula sources:					
State apportionments	\$ 487,741,362	\$	\$	\$	\$ 487,741,362
Local sources	<u>100,246,539</u>				<u>100,246,539</u>
Total revenue limit sources	587,987,901	-	-	-	587,987,901
Federal sources	57,915,024		3,545,867	49,395,912	110,856,803
Other state sources	104,845,757		356,667	28,307,270	133,509,694
Other local sources	<u>21,884,253</u>	<u>966,599</u>	<u>49,943,073</u>	<u>10,139,887</u>	<u>82,933,812</u>
<b>Total Revenues</b>	<u>772,632,935</u>	<u>966,599</u>	<u>53,845,607</u>	<u>87,843,069</u>	<u>915,288,210</u>
<b>Expenditures</b>					
Instruction	499,036,261			19,261,409	518,297,670
Instruction - related services	84,624,987			3,942,556	88,567,543
Pupil services	49,914,844			34,885,989	84,800,833
Ancillary services	1,043,680				1,043,680
Community services	7,019,112				7,019,112
Enterprise activities	352,824				352,824
General administration	33,365,662	325,000	421,200	1,558,094	35,669,956
Plant services	85,336,619	115,806,386		31,062,159	232,205,164
Other outgo	741,524	4,200			745,724
Debt service	<u>89,375</u>		<u>50,278,131</u>		<u>50,367,506</u>
<b>Total Expenditures</b>	<u>761,524,888</u>	<u>116,135,586</u>	<u>50,699,331</u>	<u>90,710,207</u>	<u>1,019,070,012</u>
Excess (Deficiency) of revenues over expenditures	<u>11,108,047</u>	<u>(115,168,987)</u>	<u>3,146,276</u>	<u>(2,867,138)</u>	<u>(103,781,802)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in				248,797	248,797
Interfund transfers out	(248,797)				(248,797)
Proceeds from sale of general obligation bonds		269,998,410	11,079,853		281,078,263
<b>Total Other Financing Sources (Uses)</b>	<u>(248,797)</u>	<u>269,998,410</u>	<u>11,079,853</u>	<u>248,797</u>	<u>281,078,263</u>
Net changes in fund balances	<u>10,859,250</u>	<u>154,829,423</u>	<u>14,226,129</u>	<u>(2,618,341)</u>	<u>177,296,461</u>
<b>Fund Balances - Beginning of Year</b>	<u>113,015,471</u>	<u>89,296,221</u>	<u>44,352,730</u>	<u>35,610,342</u>	<u>282,274,764</u>
<b>Fund Balances - End of Year</b>	<u>\$ 123,874,721</u>	<u>\$ 244,125,644</u>	<u>\$ 58,578,859</u>	<u>\$ 32,992,001</u>	<u>\$ 459,571,225</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2015**

Net change in fund balances-total governmental funds		\$ 177,296,461
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period		
Capital asset additions	\$ 129,243,542	
Depreciation expense	<u>(20,848,181)</u>	108,395,361
Governmental funds report the proceeds from the disposal of capital assets as revenue. In the statement of activities, only the resulting gain or loss is reported		
Net loss on vehicles and equipment		(12,238)
Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General obligation bond proceeds and premium	(281,078,263)	
Repayment of bond principal	25,140,000	
Net increase in accreted interest	(1,629,989)	
Bond premium, current year amortization	2,131,073	
Deferred charge on refunding, current year amortization	(237,495)	
Increase in accrued interest expense	<u>(1,761,828)</u>	
Change in bond activity		(257,436,502)
In governmental funds, capital lease payments are reported as expenditures. In the statement of activities, repayments of long term debt are reported as reduction of liabilities. Capital lease payments in the current year were:		
		89,375
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 \$603,692.		
		(603,692)
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:		
		(1,074,964)
Internal service funds are used by the District to manage the Self-Insurance Fund.		
The net income of \$3,217,101 is reported with governmental activities.		3,217,101
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.		
		(11,682,109)
In governmental funds, pensions costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contribution was:		
Increase in deferred outflows of resources - pension contributions	5,349,874	
Decrease in net pension liability	138,956,615	
Increase in deferred inflows of resources - pension costs	<u>(146,297,974)</u>	(1,991,485)
Change in net position of governmental activities		<u>\$ 16,197,308</u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	<b>Governmental Activities</b>
	<b>Self Insurance Funds</b>
<b><u>Assets</u></b>	
Cash in county treasury	\$ 73,630,869
Cash in revolving fund	830,000
Accounts receivable:	
Miscellaneous	<u>370,390</u>
<b>Total Assets</b>	<u>74,831,259</u>
<b><u>Liabilities</u></b>	
Accounts payable	2,308,627
Estimated liability for open claims and IBNRs	<u>46,108,676</u>
<b>Total Liabilities</b>	<u>48,417,303</u>
<b><u>Net Position</u></b>	
Restricted	<u>26,413,956</u>
<b>Total Net Position</b>	<u>\$ 26,413,956</u>

See the accompanying notes to the financial statements.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUNDS**

**For the Fiscal Year Ended June 30, 2015**

	<b>Governmental Activities</b>
	<b>Self Insurance Funds</b>
<b>Operating Revenues</b>	
Self-insurance premiums	\$ 77,572,591
<b>Total Operating Revenues</b>	77,572,591
 <b>Operating Expenditures</b>	
Salaries	251,688
Benefits	100,541
Other supplies	36,291
Payments for health and welfare claims	74,336,156
<b>Total Operating Expenditures</b>	74,724,676
Operating income	2,847,915
 <b>Non-Operating Revenues</b>	
All other local revenue	55,538
Interest income	313,648
<b>Total Non-Operating Revenues</b>	369,186
Change in net position	3,217,101
 <b>Net Position - Beginning of Year</b>	23,196,855
<b>Net Position - End of Year</b>	\$ 26,413,956

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2015**

	<b>Governmental Activities</b>
	<b>Self Insurance Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums and other revenues	\$ 77,716,612
Cash paid for claims and operating expenses	<u>(74,795,258)</u>
Net cash provided by operating activities	<u>2,921,354</u>
<b>Cash Flows from Investing Activities</b>	
Other local revenue	55,538
Interest income	<u>234,144</u>
Net cash provided by investing activities	<u>289,682</u>
Net increase in cash and cash equivalents	3,211,036
Cash and cash equivalents - July 1, 2014	<u>71,249,833</u>
Cash and cash equivalents - June 30, 2015	<u><u>\$ 74,460,869</u></u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
<b>Operating Income</b>	<u>\$ 2,847,915</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Changes in operating assets and liabilities:	
Accounts receivable	144,020
Accounts payable	(1,000,617)
Estimated claims	<u>930,036</u>
Total adjustments	<u>73,439</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 2,921,354</u></u>
Cash balances at June 30, 2015 consisted of the following:	
Cash in county treasury	\$ 73,630,869
Cash in revolving fund	<u>830,000</u>
Total cash balances at June 30, 2015	<u><u>\$ 74,460,869</u></u>

See the accompanying notes to the financial statements.

LONG BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION - FIDUCIARY FUNDS

June 30, 2015

	<b>Associated Student Body Funds</b>
<b><u>Assets</u></b>	
Cash on hand and in banks	\$ 4,847,208
Accounts receivable:	
Miscellaneous	49,759
Stores inventory	32,604
<b>Total Assets</b>	<b><u>4,929,571</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	226,343
Funds held in trust	3,158,125
<b>Total Liabilities</b>	<b><u>3,384,468</u></b>
<b><u>Net Position</u></b>	
Unrestricted	1,545,103
<b>Total Net Position</b>	<b><u>\$ 1,545,103</u></b>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FUND NET POSITION - FIDUCIARY FUNDS**

**For the Fiscal Year Ended June 30, 2015**

	<b>Associated Student Body Funds</b>
<b>Additions</b>	
Revenue from local sources	\$ 3,921,845
<b>Total Additions</b>	<u>3,921,845</u>
<b>Deductions</b>	
Other expenses	<u>3,991,276</u>
<b>Total Deductions</b>	<u>3,991,276</u>
Changes in net assets	(69,431)
<b>Net Position - Beginning of Year</b>	<u>1,614,534</u>
<b>Net Position - End of Year</b>	<u><u>\$ 1,545,103</u></u>

See the accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

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

**A. 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 and a statement of activities, and fund financial statements.

**1. 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**A. BASIS OF PRESENTATION: (continued)**

**1. Government-wide Financial Statements: (continued)**

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.

**2. Fund Financial Statements:**

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**A. BASIS OF PRESENTATION: (continued)**

**2. Fund Financial Statements: (continued)**

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.

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.

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FUND ACCOUNTING:**

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

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

**GOVERNMENTAL FUNDS – MAJOR**

**General Fund** – is used to account for all financial transactions except those legally required to be accounted for in another fund. It is the general operating fund of the District. The Special Reserve Fund (Other than Capital Outlay) and the Deferred Maintenance Fund have been consolidated with the General Fund due to the reporting requirements of GASB Statement No. 54.

**Building Fund** – used to account for the proceeds of Measure A and Measure K 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FUND ACCOUNTING: (continued)**

**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.

1. Adult Education Fund – used to account for resources committed to adult education programs maintained by the District.
2. Child Development Fund – used to account for resources committed to child development programs.
3. Cafeteria Fund – used to account for revenues received and expenditures made to operate the District's food and nutrition service program.

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

1. Capital Facilities Fund – used to account for resources received from residential and commercial developer impact fees.
2. County School Facilities Fund – used to account for the School Facility Program grant awards for modernization and new construction of various school sites.
3. Special Reserve Fund – used to account for specific board-approved capital expenditures.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. FUND ACCOUNTING: (continued)**

**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**

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

**AGENCY ACTIVITIES**

The District operates a warrant pass-through fund as a holding account for amounts withheld from employees for federal taxes, state taxes and other contributions. The District had a liability in the County Treasury amounting to \$183,626 on June 30, 2015, which represents a prepayment of withholdings payable.

**C. BASIS OF ACCOUNTING:**

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

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.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also includes cash in the County Treasury.

2. 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, 2015, the inventory for supplies is \$1,496,253 and the inventory for food is \$1,370,128.

3. Prepaid Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

4. Capital Assets

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

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

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

5. 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 outflow – pension contributions: The deferred outflow 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. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

6. 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

7. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

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.

8. 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. Bonds payable are reported net of the applicable bond premium or discount.

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

9. 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.

10. 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 – pensions, results from the difference between the estimated and actual return on pension plan investments and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized to pension expense over closed periods ranging from 3.9 to 5 years.

11. Net Position

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

12. Fund Balance Classification

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

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

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

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed.

This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

13. Spending Order Policy

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

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

14. 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.

15. State Apportionments

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

16. Property Taxes

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

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

17. 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.

18. 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 FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**C. BASIS OF ACCOUNTING: (continued)**

19. Classification of Revenues – Proprietary Funds

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

20. 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.

**D. REPORTING ENTITY:**

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**D. REPORTING ENTITY: (continued)**

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

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

1. Long Beach Education Foundation – The Foundation is a separate not-for-profit corporation established with the express purpose of promoting and assisting the educational program of the District in accordance with the mission, policies and priorities of the District. The Foundation Board of Directors is selected independent of any District Governing Board elections. The Foundation Board is responsible for approving its own budget and related accounting and finance activities. Separate financial statements for this entity can be obtained through the District.
2. California State University Dominguez Hills Foundation – The Foundation is a separate not-for-profit corporation. The Foundation Board of Directors is elected independent of any District Governing Board appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. The Foundation supports some functions of the California Academy of Mathematics and Science (CAMS) – a high school under the jurisdiction of the District.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**D. REPORTING ENTITY: (continued)**

3. Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.
4. Charter Schools – The New City School 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's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 3 – DEPOSITS AND INVESTMENTS:**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2015, \$14,200,244 of the District's bank balance of \$15,600,423 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$13,562,400
Uninsured and uncollateralized	<u>637,844</u>
Total	<u>\$14,200,244</u>

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2015 is measured at 99.8% of amortized cost.

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 – INTERFUND TRANSACTIONS:**

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

**A. Interfund Receivables/Payables**

Individual interfund receivable and payable balances at June 30, 2015 are temporary loans and are detailed as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
General Fund	\$ 3,173,582	\$
Building Fund		28,584
<b>Non-Major Funds:</b>		
Special Revenue Funds:		
Adult Education Fund		722,406
Child Development Fund		292
Cafeteria Fund		2,422,300
	<u>\$ 3,173,582</u>	<u>\$ 3,173,582</u>



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 – INTERFUND TRANSACTIONS: (continued)**

**B. Interfund Transfers**

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

Interfund transfers for the 2014–15 fiscal year are as follows:

Transfer from the General Fund to the Adult Education Fund for revenue to maintain Adult Education program	\$ 51,976
Transfer from the General Fund to the Cafeteria Fund for repayment of indirect charges per agreement	<u>196,821</u>
Total	<u>\$ 248,797</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 5 – FUND BALANCES:**

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 400,100	\$	\$	\$ 1,515	\$ 401,615
Inventory	1,496,253			1,370,128	2,866,381
Prepaid expense	458,951			18,065	477,016
Total Nonspendable	<u>2,355,304</u>	<u>-</u>	<u>-</u>	<u>1,389,708</u>	<u>3,745,012</u>
<b>Restricted</b>					
Legally restricted programs	24,894,488			94,566	24,989,054
Debt service			58,578,859		58,578,859
Child development program				1,336,239	1,336,239
Nutrition services				7,286,229	7,286,229
Capital projects		244,125,644		22,885,259	267,010,903
Total Restricted	<u>24,894,488</u>	<u>244,125,644</u>	<u>58,578,859</u>	<u>31,602,293</u>	<u>359,201,284</u>
<b>Assigned</b>					
Site budget Carryover	6,000,000				6,000,000
One-time technology upgrades	8,735,155				8,735,155
Total Assigned	<u>14,735,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,735,155</u>
<b>Unassigned</b>					
Economic uncertainties	15,236,698				15,236,698
Unassigned	66,653,076				66,653,076
Total Unassigned	<u>81,889,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,889,774</u>
Total fund balances	<u>\$ 123,874,721</u>	<u>\$ 244,125,644</u>	<u>\$ 58,578,859</u>	<u>\$ 32,992,001</u>	<u>\$ 459,571,225</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 6 – LEASES:**

**A. Capital Leases**

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

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2016	\$ 2,409
Less Amount Representing Interest	<u>192</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,217</u></u>

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 6 – LEASES: (continued)**

**B. Operating Leases**

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

Year Ending <u>June 30,</u>	<u>Lease Payments</u>
2016	\$ 1,598,668
2017	1,161,556
2018	1,124,119
2019	602,048
2020	<u>36,266</u>
Total	<u>\$ 4,522,657</u>

2014–15 expenditures for operating leases were approximately \$1.5 million. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 7 – 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 7 – GENERAL OBLIGATION BONDS: (continued)**

**Refunding Bond Series (continued)**

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. These bonds are considered fully defeased and are not recorded on the financial statements.

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

The proceeds associated with refunding bonds, are deposited to an escrow account and the debt is repaid by the escrow agent. At June 30, 2015 there were not outstanding balances due on the refunded debt.

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) and \$1,729,692 (2012 Refunding). Amortization of \$237,495 was recognized during the 2014–15 year.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 7 – GENERAL OBLIGATION BONDS: (continued)**

**Measure K Series**

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

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

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 7 – GENERAL OBLIGATION BONDS: (continued)**

**Payments**

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

Capital appreciation bonds 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. At June 30, 2015, \$6,383,431 in accreted interest has been accrued and included in long-term debt on the Measure A, Series G bonds. At June 30, 2015, \$1,612,493 in accreted interest has been accrued and included in long-term debt on the Measure K, Series B bonds. Accreted interest will compound semiannually commencing on August 1, 2015 on the Measure K, Series D-1 bonds.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 7 – GENERAL OBLIGATION BONDS: (continued)**

**Payments (continued)**

The total outstanding bonded debt of the District at June 30, 2015 is as follows:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Issued Current Year</u>	<u>Principal Payment Current Year</u>	<u>Outstanding June 30, 2015</u>
<b>Measure A</b>								
Series G	7/17/2008	3.5%-5.44%	8/1/2033	\$ 29,995,606	\$ 29,995,606	\$	\$	\$ 29,995,606
Accreted Interest					5,253,598	1,129,833		6,383,431
<b>Refunding Bond</b>								
Series A	7/17/2008	2.57%-4.28%	8/1/2022	38,320,000	32,610,000		4,540,000	28,070,000
Series B	4/07/2009	3.0%-5.25%	8/1/2029	28,465,000	24,640,000			24,640,000
Series C	2/03/2010	2.5%-5.125%	8/1/2029	51,720,000	50,750,000		3,015,000	47,735,000
Series D	4/19/2011	3.0%-5.25%	8/1/2024	11,330,000	8,260,000			8,260,000
Series E	3/27/2012	1.0%-5.0%	8/1/2033	81,780,000	79,675,000			79,675,000
<b>Measure K</b>								
Series A	4/07/2009	3.5%-5.0%	8/1/2033	260,000,000	193,930,000		10,335,000	183,595,000
Series B	4/19/2011	7.26%-7.33%	8/1/2035	3,020,686	3,020,686			3,020,686
Accreted Interest					1,112,337	500,156		1,612,493
Series B-1	4/19/2011	5.314%-5.914%	8/1/2025	72,406,000	72,406,000			72,406,000
Series C	5/15/2013	1.0%-4.0%	8/1/2037	50,000,000	41,260,000		7,250,000	34,010,000
Series D	2/19/2015	3.0%-4.0%	8/1/2043	180,000,000		180,000,000		180,000,000
Series D-1	2/19/2015	3.33%-4.31%	8/1/2039	89,998,410		89,998,410		89,998,410
				<u>\$ 897,035,702</u>	<u>\$ 542,913,227</u>	<u>\$ 271,628,399</u>	<u>\$ 25,140,000</u>	<u>\$ 789,401,626</u>
						Bond Premium		<u>43,734,653</u>
						Total Bonds Payable		<u>\$ 833,136,279</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 7 – GENERAL OBLIGATION BONDS: (continued)**

**Payments (continued)**

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Measure A, Series G and the Refunding Bonds, Series A, Series B, Series C, Series D, and Series E included premiums of \$1,021,276; \$2,308,212; \$994,834; \$4,658,623; \$853,200; and \$10,927,374, respectively. The Measure K, Series A, Series B, Series C, and Series D bonds included premiums of \$15,098,514, \$5,279,810, \$1,159,724, and \$11,079,853, respectively. These amounts are amortized using the straight-line method. Amortization of \$2,131,073 was recognized during the 2014–15 year.

**Payments – Measure A Series**

The annual requirements to amortize Measure A bonds payable, outstanding as of June 30, 2015, are as follows:

<b><u>Year Ended June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Accreted Interest</u></b>	<b><u>Total</u></b>
2016	\$ 7,845,000	\$ 9,643,225	\$	\$ 17,488,225
2017	8,565,000	9,322,506		17,887,506
2018	9,705,000	8,942,081		18,647,081
2019	11,085,000	8,474,606		19,559,606
2020	12,640,000	7,910,206		20,550,206
2021-2025	60,434,544	33,550,878	2,310,456	96,295,878
2026-2030	70,051,333	27,241,851	10,313,667	107,606,851
2031-2034	38,049,729	20,180,737	19,800,271	78,030,737
Total	<u>\$ 218,375,606</u>	<u>\$ 125,266,090</u>	<u>\$ 32,424,394</u>	<u>\$ 376,066,090</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 7 – GENERAL OBLIGATION BONDS: (continued)**

**Payments – Measure K Series**

The annual requirements to amortize Measure K bonds payable, outstanding as of June 30, 2015, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Accreted Interest</b>	<b>Total</b>
2016	\$ 21,565,000	\$ 21,187,521	\$	\$ 42,752,521
2017	21,580,000	20,686,611		42,266,611
2018	17,515,000	19,834,011		37,349,011
2019	17,080,000	19,016,986		36,096,986
2020	14,050,000	18,286,886		32,336,886
2021-2025	91,876,000	78,339,346		170,215,346
2026-2030	78,387,228	69,652,801	12,567,773	160,607,802
2031-2035	76,050,946	95,839,311	23,739,529	195,629,786
2036-2040	65,595,922	118,029,277	97,244,077	280,869,276
2041-2044	159,330,000	13,384,800	20,649,525	193,364,325
Total	<u>\$ 563,030,096</u>	<u>\$ 474,257,550</u>	<u>\$ 154,200,904</u>	<u>\$ 1,191,488,550</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – OTHER ACCOUNTING DISCLOSURES:**

**A. Capital assets** – A schedule of changes in general fixed assets for the year ended June 30, 2015, is shown below:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets Not Depreciated:				
Land	\$ 113,922,550	\$	\$	\$ 113,922,550
Work In Progress	110,202,442	126,081,463	5,671,733	230,612,172
Total capital assets not depreciated:	224,124,992	126,081,463	5,671,733	344,534,722
Capital assets depreciated:				
Land Improvements	36,467,931	61,277		36,529,208
Buildings and Improvements	850,933,917	5,663,432		856,597,349
Books and Media In Library	20,016,629	142,455		20,159,084
Vehicles	13,352,580	937,510	382,101	13,907,989
Machinery and Equipment	56,452,291	2,029,138	7,674,366	50,807,063
Total capital assets depreciated	977,223,348	8,833,812	8,056,467	978,000,693
Accumulated depreciation for:				
Land Improvements	16,570,087	1,207,150		17,777,237
Buildings and Improvements	335,731,557	15,389,444		351,121,001
Books and Media In Library	19,072,409	429,080		19,501,489
Vehicles	11,668,701	760,144	382,101	12,046,744
Machinery and Equipment	44,009,960	3,062,363	7,662,128	39,410,195
Total accumulated depreciation	427,052,714	20,848,181	8,044,229	439,856,666
Total capital assets depreciated, net	550,170,634	(12,014,369)	12,238	538,144,027
Governmental activities capital assets, net	\$ 774,295,626	\$ 114,067,094	\$ 5,683,971	\$ 882,678,749

Depreciation expense was allocated to the following functions:

Governmental Activities:	
Instruction	\$13,717,270
Instruction – Related Services	2,220,119
Pupil Services	505,345
General Administration	2,383,102
Plant Services	<u>2,022,345</u>
Net governmental activities depreciation expense	<u>\$20,848,181</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 8 – OTHER ACCOUNTING DISCLOSURES: (continued)**

**B. Long-term debt** – A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	Balance 7/1/2014 <sup>(1)</sup>	Additions	Deductions	Balance June 30, 2015	Amount Due in One Year
Compensated absences	\$ 10,374,027	\$ 603,692	\$	\$ 10,977,719	\$ 8,428,842
Capital Leases	91,592		89,375	2,217	2,217
General obligation bonds:					
General obligation bonds payable	536,547,292	269,998,410	25,140,000	781,405,702	29,410,000
Bond premium	34,785,873	11,079,853	2,131,073	43,734,653	
Accreted interest on capital appreciation bonds	6,365,935	1,629,989		7,995,924	
Net pension liability	698,947,095		143,946,103	555,000,992	
Net OPEB obligation	<u>65,873,365</u>	<u>11,682,109</u>		<u>77,555,474</u>	
Totals	<u>\$ 1,352,985,179</u>	<u>\$ 294,994,053</u>	<u>\$ 171,306,551</u>	<u>\$ 1,476,672,681</u>	<u>\$ 37,841,059</u>

(1) The beginning balance was restated to reflect beginning net pension liability. See note 14.

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 9 – SELF-INSURANCE FUNDS:**

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

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

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 9 – SELF-INSURANCE FUNDS: (continued)**

At June 30, 2015, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is estimated at \$46,108,676. The Self Insurance Funds currently have a combined positive fund balance of \$26,413,956. This is largely due to workers' compensation balances. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Workers' Compensation	\$ 32,100,035	\$ 10,222,604	\$ 10,369,693	\$ 31,952,946
Deductible Insurance	1,809,291	991,728	635,666	2,165,353
Health, Vision and Dental	<u>11,269,314</u>	<u>49,390,159</u>	<u>48,669,096</u>	<u>11,990,377</u>
	<u>\$ 45,178,640</u>	<u>\$ 60,604,491</u>	<u>\$ 59,674,455</u>	<u>\$ 46,108,676</u>

**NOTE 10 – 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, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its 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 as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS (STRP)	\$ 442,952,460	\$ 32,113,470	\$ 109,076,200	\$ 38,241,100
CalPERS (Schools Pool Plan)	<u>112,048,532</u>	<u>12,951,826</u>	<u>42,211,262</u>	<u>8,679,470</u>
Totals	<u>\$ 555,000,992</u>	<u>\$ 45,065,296</u>	<u>\$ 151,287,462</u>	<u>\$ 46,920,570</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

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 the Defined Benefit Supplement Program, thus disclosures are not included for the other plans.



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Benefits Provided (continued)**

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Defined Benefit and Supplement Programs</u>	
	On or Before	On or after
Hire date	December 31, 2012	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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

**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, 2015 are presented above and the total District contributions were \$32,113,470.

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

At June 30, 2015, 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:

District proportionate share of net pension liability	\$ 442,952,460
State's proportionate share of the net pension liability associated with the District	<u>267,476,506</u>
Total	<u>\$710,428,966</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The net pension liability was measured as of June 30, 2014. 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, 2014, the District’s proportion was 0.7580%.

For the year ended June 30, 2015, the District recognized pension expense of \$38,241,100 and revenue of \$23,091,859 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 32,113,470	\$
Net differences between projected and actual earnings on plan investments		109,076,200
Total	\$ 32,113,470	\$ 109,076,200

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, 2016. The deferred inflows of resources will be amortized over a closed 5-year period. The remaining balances will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 27,269,050
2017	27,269,050
2018	27,269,050
2019	27,269,050
	\$ 109,076,200

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial Methods and Assumptions (continued)**

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

**Discount Rate**

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 690,447,040
Current discount rate (7.60%)	442,952,460
1% increase (8.6%)	236,586,960

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**Plan Fiduciary Net Position**

Detailed information about CalSTRS plan fiduciary net position is available in a separate comprehensive annual financial report. 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 FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Benefits Provided (continued)**

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are 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, 2015 are presented above and the total District contributions were \$12,951,826.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$112,408,532. The net pension liability was measured as of June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.9870%.

For the year ended June 30, 2015, the District recognized pension expense of \$8,679,470. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,951,826	\$
Changes in proportion		3,710,132
Net differences between projected and actual earnings on plan investments		38,501,130
Total	\$ 12,951,826	\$ 42,211,262

The deferred outflow 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, 2016. The deferred inflow of resources will be amortized over closed periods ranging from 3.9 to 5 years and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 10,904,639
2017	10,904,639
2018	10,776,702
2019	9,625,282
	\$ 42,211,262

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Methods and Assumptions**

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

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



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Methods and Assumptions (continued)**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. 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 School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 196,558,702
Current discount rate (7.50%)	112,048,532
1% increase (8.50%)	41,431,764

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS: (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Plan Fiduciary Net Position**

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

**NOTE 11 – ALTERNATE PENSION PLANS:**

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

**Plan Description and Contribution Information**

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

Employees who have received distributions	564
Terminated plan members entitled to but not yet receiving benefits	28,328
Active plan members	2,869
Number of participating employers	1
Contributions by Employee for the year	\$1,100,417
Contributions by Employer for the year	\$ 63,682

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 11 – ALTERNATE PENSION PLANS: (continued)**

**Long Beach Schools Business Management Authority Retirement Plan**

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

**Plan Description and Contribution Information**

Retirees and beneficiaries receiving benefits	52
Terminated plan members entitled to but not yet receiving benefits	70
Active plan members	0
 Number of participating employers	 1
 Contributions by Employee for the year	 \$0
Contributions by Employer for the year	\$0

**Plan Financial Information**

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

	<u>ARS</u>	<u>PARS</u>	<u>LBSBMA</u>
Assets:			
Cash and cash equivalents	\$	\$	\$ 229,027
Investments, at fair value:			
U.S. Government obligations	<u>18,702,906</u>	<u>8,860,662</u>	
Total Assets	<u>\$ 18,702,906</u>	<u>\$ 8,860,662</u>	<u>\$ 229,027</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 11 – ALTERNATE PENSION PLANS: (continued)**

**Plan Financial Information (continued)**

	<u>ARS</u>	<u>PARS</u>	<u>LBSBMA</u>
Additions			
Contributions:			
Employer	\$	\$ 63,682	\$
Plan members		1,100,417	
Total Contributions	<u>-</u>	<u>1,164,099</u>	<u>-</u>
Investment earnings:			
Interest and dividends	<u>-</u>	<u>-</u>	<u>52</u>
Net Investment Earnings	<u>-</u>	<u>-</u>	<u>52</u>
Total Additions (Deletions)	<u>-</u>	<u>1,164,099</u>	<u>52</u>
Deductions:			
Benefits	435,161	307,728	169,045
Administrative expenses	<u>109,327</u>	<u>48,704</u>	<u>1,610</u>
Total Deductions	<u>544,488</u>	<u>356,432</u>	<u>170,655</u>
Change in net assets	(544,488)	807,667	(170,603)
Net assets - beginning of year	<u>19,247,394</u>	<u>8,052,995</u>	<u>399,630</u>
Net assets - end of year	<u><u>\$ 18,702,906</u></u>	<u><u>\$ 8,860,662</u></u>	<u><u>\$ 229,027</u></u>

## LONG BEACH UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### **NOTE 12 – POSTEMPLOYMENT – HEALTH BENEFITS:**

The District administers a single–employer defined benefit health care plan. At June 30, 2015, there were 1,158 retirees receiving medical (health) benefits under the District health plan. The District pays for the health benefit coverage of eligible retirees, including employees who retire on disability, who have attained the age of 55 and have worked for the District for at least 15 or 17 years depending on their bargaining unit. Their benefits are paid until the retiree reaches the age of 65 or 67, respectively. However, in the case of disability retirees, there is no age requirement and coverage is until the person reaches age 67 or for up to 39 months, whichever comes earlier.

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

#### **Funding Policy**

The District currently finances benefits on a pay–as–you–go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2015, the District contributed \$10,454,971 to the plan for 769 retirees that qualified for this coverage. 389 retirees received their medical benefit coverage by paying for the coverage themselves (“self–paid”). In the fiscal year ended June 30, 2015, the District collected \$3,611,480 from retirees to cover the cost of the “self–paid” health benefits.

#### **Annual OPEB Cost and Net OPEB Obligation**

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 12 – POSTEMPLOYMENT – HEALTH BENEFITS: (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

Annual required contribution (ARC)	\$ 21,682,000
Interest on net OPEB obligation	3,315,902
Adjustment to annual required contribution	<u>(2,860,822)</u>
Annual OPEB cost (expense)	22,137,080
Contributions made	<u>(10,454,971)</u>
Change in net OPEB obligation	11,682,109
Net OPEB obligation - Beginning of Year	<u>65,873,365</u>
Net OPEB obligation - End of Year	<u><u>\$ 77,555,474</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for each of the last three fiscal years was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	\$27,345,292	43%	\$55,843,399
6/30/2014	\$22,074,000	55%	\$65,873,365
6/30/2015	\$22,137,080	47%	\$77,555,474

**Funding Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$282,468,000. The covered payroll (annual payroll of active employees covered by the plan) was \$398,133,000, and the ratio of the UAAL to the covered payroll was 71%. Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2015, the OPEB portion of the self-insurance fund’s designated balance was \$7,495,206.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 12 – POSTEMPLOYMENT – HEALTH BENEFITS: (continued)**

**Funding Status and Funding Progress (continued)**

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

**Actuarial Methods and Assumptions**

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

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years. Both rates included a 5.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 13 – JOINT POWERS AGREEMENTS:**

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

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

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

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

	ASCIP 6/30/2015 <u>(Unaudited)</u> (in thousands)	SELF 6/30/2015 <u>Audited</u> (in thousands)
Total assets	\$ 370,259	\$ 154,827
Total liabilities	<u>212,435</u>	<u>122,637</u>
Fund equity	<u>\$ 157,824</u>	<u>\$ 32,190</u>
Total revenues	\$ 228,708	\$ 11,969
Total expenditures	<u>216,333</u>	<u>23,064</u>
Net change in fund equity	<u>\$ 12,375</u>	<u>\$ (11,095)</u>



**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 14 – CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND  
RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE NET POSITION:**

As a result of implementing GASB statements No. 68 and No. 71, the beginning net position of the basic financial statements has been restated by (\$659,231,673) to recognize the beginning balance of (\$698,947,095) in net pension liability and \$39,715,422 in deferred outflows of resources. The beginning net position was not restated for the effect of deferred inflows as the amount was not practical to determine.

The effect of this implementation has resulted in a negative net position balance at June 30, 2015. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES:**

**A. Contingent Liabilities**

**Cafeteria**

In 2002–03, the District restated its fund balance in the Cafeteria Fund and the General Fund to adjust the undercharging of indirect costs by the General Fund for prior years. This resulted in an addition to the General Fund and reduction in the Cafeteria Fund amounting to \$3,862,992. The Nutrition Services Division of the California Department of Education issued a letter dated August 11, 2005, indicating that the District's General Fund must return a portion of this to the Cafeteria Fund. The General Fund will reimburse the Cafeteria Fund for a portion of the restatement in the amount of \$1,968,212 over a ten year period to end in the fiscal year 2014–2015. The General Fund has made the appropriate transfer in the 2014–15 fiscal year and the amount remaining to be transferred is \$0. This is not reflected in the government wide statements since it is within the funds of the District.

**B. 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 15 – COMMITMENTS AND CONTINGENCIES: (continued)**

**C. State and Federal Allowances, Awards, and Grants**

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

**D. County School Facilities Funds**

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

**E. Purchase Commitments**

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$109.8 million. Projects will be funded through Bond Proceeds, State School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

**NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2015, 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. 72 – Fair Value Measurement and Application***

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015–16.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE: (continued)**

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

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

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

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

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

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

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE: (continued)**

***GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting  
Principles for State and Local Governments***

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015–16.

***GASB Statement No. 77 – Tax Abatement Disclosures***

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2015**

	<b>Budgeted Amounts - General Fund</b>		<b>(b)</b>	<b>(a) Fund Basis</b>	<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts General Fund</b>	<b>to GAAP</b>	<b>GAAP Basis</b>
<b>Revenues</b>					
LCFF sources:					
State apportionments	\$ 500,716,632	\$ 507,105,181	\$ 487,741,362	\$	\$ 487,741,362
Local sources	82,247,499	82,247,499	100,246,539		100,246,539
Total LCFF sources	582,964,131	589,352,680	587,987,901	-	587,987,901
Federal sources	70,070,627	74,698,601	57,915,024		57,915,024
Other state sources	91,606,923	111,714,453	104,845,757		104,845,757
Other local sources	17,150,487	29,132,783	21,832,444	51,809	21,884,253
<b>Total Revenues</b>	<b>761,792,168</b>	<b>804,898,517</b>	<b>772,581,126</b>	<b>51,809</b>	<b>772,632,935</b>
<b>Expenditures</b>					
Certificated salaries	356,494,414	377,175,231	357,163,653		357,163,653
Classified salaries	102,754,564	108,495,328	108,884,413		108,884,413
Employee benefits	186,782,609	191,237,352	182,543,531		182,543,531
Books and supplies	41,600,462	67,101,266	29,517,482		29,517,482
Services and Other Operating Expenses	84,999,304	91,961,751	80,539,442	1,938,806	82,478,248
Capital outlay	1,410,181	2,224,544	1,533,710		1,533,710
Other transfers out	207,450	814,463	920,274		920,274
Direct support/Indirect costs	(1,206,812)	(1,166,521)	(1,516,423)		(1,516,423)
<b>Total Expenditures</b>	<b>773,042,172</b>	<b>837,843,414</b>	<b>759,586,082</b>	<b>1,938,806</b>	<b>761,524,888</b>
Excess (Deficiency) of revenues over expenditures	(11,250,004)	(32,944,897)	12,995,044	(1,886,997)	11,108,047
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in	1,250,000	2,000,000		2,000,000	2,000,000
Interfund transfers out	(196,821)	(2,196,821)	(2,248,797)		(2,248,797)
<b>Total Other Financing Source (Uses)</b>	<b>1,053,179</b>	<b>(196,821)</b>	<b>(2,248,797)</b>	<b>2,000,000</b>	<b>(248,797)</b>
Net change in fund balance	\$ (10,196,825)	\$ (33,141,718)	10,746,247	113,003	10,859,250
<b>Fund Balance - Beginning of Year</b>			<b>104,393,319</b>	<b>8,622,152</b>	<b>113,015,471</b>
<b>Fund Balance - End of Year</b>			<b>\$ 115,139,566</b>	<b>\$ 8,735,155</b>	<b>\$ 123,874,721</b>

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

(b) On behalf of CalSTRS payments of \$18,297,230 are included in the final budget and actual revenue and expenditures amounts.

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 STATE TEACHERS' RETIREMENT PLAN**

**For the Fiscal Year Ended June 30, 2015**

	<u><b>2015</b></u>
District's proportion of the net pension liability (assets)	0.7580%
District's proportionate share of the net pension liability (asset)	\$ 442,952,460
State's proportionate share of the net pension liability (asset) associated with the District	<u>267,476,506</u>
Total	<u><u>\$ 710,428,966</u></u>
District's covered-employee payroll	\$ 331,000,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	133.82%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

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. 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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT  
SYSTEM – SCHOOL POOL PLAN  
For the Fiscal Year Ended June 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.9870%
District's proportionate share of the net pension liability (asset)	<u>\$ 112,048,532</u>
District's covered-employee payroll	\$ 100,600,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	111.38%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

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. 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**  
**STATE TEACHERS' RETIREMENT PLAN**  
**For the Fiscal Year Ended June 30, 2015**

	<b>2015</b>
Contractually required contribution	\$ 32,113,470
Contributions in relation to the contractually required contribution	32,113,470
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 361,600,000
 Contributions as a percentage of covered-employee payroll	 8.88%

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 DISTRICT CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM –**  
**SCHOOLS POOL PLAN**  
**For the Fiscal Year Ended June 30, 2015**

	<b>2015</b>
Contractually required contribution	\$ 12,951,826
Contributions in relation to the contractually required contribution	12,951,826
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 110,000,000
Contributions as a percentage of covered-employee payroll	11.77%

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 POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

**For the Fiscal Year Ended June 30, 2015**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funding Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2009	-	\$ 228,345,000	\$ 228,345,000	0%	\$ 488,786,036	47%
7/1/2011	-	329,401,000	329,401,000	0%	433,965,000	76%
7/1/2013	-	282,468,000	282,468,000	0%	398,133,000	71%

Note: Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2015, the OPEB portion of the self-insurance fund's designated balance was \$7,495,206.

See the accompanying notes to the required supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2015**

**NOTE 1 – PURPOSE OF SCHEDULES:**

**A. Schedule of Budgetary Comparison For The General Fund**

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

**B. Schedules of District’s Proportionate Share of the Net Pension Liability – STRP and PERS (Schools Plan)**

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.

**C. Schedules of District Contributions – STRP and PERS (Schools Plan)**

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.

**D. Schedule of Postemployment Healthcare Benefits Funding Progress**

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

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Excess of expenditures over appropriations occurred in the General Fund for the following major object:

Classified salaries	\$389,085
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**SUPPLEMENTARY INFORMATION**

# LONG BEACH UNIFIED SCHOOL DISTRICT

## HISTORY AND ORGANIZATION

June 30, 2015

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

### BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Diana Craighead	President	July, 2016
Dr. Felton Williams	Vice President	July, 2016
John McGinnis	Member	July, 2018
Megan Kerr	Member	July, 2018
Jon Meyer	Member	July, 2018

### ADMINISTRATIVE OFFICERS

Christopher Steinhauser	Superintendent of Schools
Christine Dominguez	Deputy Superintendent (7/1/2014-7/31/2014)
Jill Baker	Deputy Superintendent of Schools (as of 8/20/2014)
Ruth Ashley	Deputy Superintendent of Educational Services (as of 8/20/2014)
Yumi Takahashi	Chief Business and Financial Officer (as of 10/21/14)

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2015**

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, 2015 are as follows:

	<b>Second Period</b>	<b>Revised Annual</b>
Transitional kindergarten and grades kindergarten through third		
Regular ADA	23,260	23,219
Extended year special education	23	23
Special education - nonpublic, nonsectarian schools	9	8
Extended year special education - nonpublic, nonsectarian schools	1	1
Total grades transitional kindergarten through third ADA	23,293	23,251
Grades four through six		
Regular ADA	17,083	17,050
Extended year special education	23	23
Special education - nonpublic, nonsectarian schools	13	13
Extended year special education - nonpublic, nonsectarian schools	2	2
Total grades four through six ADA	17,121	17,088
Grades seven and eight		
Regular ADA	11,169	11,115
Extended year special education	12	12
Special education - nonpublic, nonsectarian schools	26	27
Extended year special education - nonpublic, nonsectarian schools	3	4
Total grades seven and eight ADA	11,210	11,158
Grades nine through twelve		
Regular ADA	24,139	23,905
Extended year special education	70	70
Special education - nonpublic, nonsectarian schools	113	102
Extended year special education - nonpublic, nonsectarian schools	18	19
Community day school	3	3
Total grades nine through twelve ADA	24,343	24,099
Total ADA	75,967	75,596

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2015**

<u>Grade Level</u>	<u>2014-15 Minutes</u>			<u>Number of Days</u>	<u>Status</u>
	<u>Normal Requirement</u>	<u>Reduced Requirement</u>	<u>Actual Minutes</u>	<u>Traditional Calendar</u>	
Kindergarten	36,000	35,000	36,000	180	In Compliance
Grade 1	50,400	49,000	51,510	180	In Compliance
Grade 2	50,400	49,000	51,510	180	In Compliance
Grade 3	50,400	49,000	51,065	180	In Compliance
Grade 4	54,000	52,500	54,390	180	In Compliance
Grade 5	54,000	52,500	54,390	180	In Compliance
Grade 6	54,000	52,500	60,225	180	In Compliance
Grade 7	54,000	52,500	60,225	180	In Compliance
Grade 8	54,000	52,500	60,225	180	In Compliance
Grade 9	64,800	63,000	64,890	180	In Compliance
Grade 10	64,800	63,000	64,940	180	In Compliance
Grade 11	64,800	63,000	64,890	180	In Compliance
Grade 12	64,800	63,000	64,890	180	In Compliance

See the accompanying notes to the supplementary information.



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Categorical Aid Programs:</b>			
<b>Department of Education:</b>			
Direct Programs			
Indian Education	84.060	(1)	\$ 15,304
GEAR UP	84.334A	(1)	226,045
Smaller Learning Communities	84.215L	(1)	197,910
School Leadership Program	84.363A	(1)	559,406
Subtotal: Direct Programs			<u>998,665</u>
Pass-Through Programs From California Department of Education			
Special Education Cluster			
IDEA Basic Local Assistance Entitlement	84.027	13379	12,394,423
IDEA Basic Local Assist - Private School	84.027	10115	104,410
Federal Preschool Grants	84.173A	13430	288,734
Preschool Local Entitlement	84.027A	13682	890,450
IDEA Mental Health Allocation Plan, Part B Sec 611	84.027A	14468	1,080,138
Early Intervention	84.181	23761	264,596
Alternative Dispute Resolution	84.027A	13007	15,000
Subtotal Special Education Cluster			<u>15,037,751</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	30,888,317
Title II, Part A, Improving Teacher Quality	84.367	14341	4,627,371
Migrant Education	84.011	14838	548,471
Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	84.048	14893	1,067
Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	84.048	14894	774,506
Adult Education Cluster			
Adult Basic Education and ESL	84.002A	14508	116,563
Adult Secondary Education	84.002A	13978	58,051
English Literacy and Civics Education	84.002A	14109	76,253
Subtotal Adult Education Cluster			<u>250,867</u>
Title IV, Part B, 21st Century Learning Centers	84.287	14349	583,334
Title III, Immigrant Education	84.365	15146	2,633
Title III, Limited English Proficient Children	84.365	14346	1,855,339
No Child Left Behind: Title X McKinney - Vento Homeless Children Assistance Grants	84.196	14332	216,364
Advance Placement Fee	84.330	14831	173,330
Subtotal: California Department of Education			<u>54,959,350</u>
Pass-Through Program From California Department of Rehabilitation			
Dept of Rehab: Workability II, Transition Partnership	84.158	10006	378,862
Dept of Rehab: CaPROMISE	84.418p	(1)	379,203
Subtotal: California Department of Rehabilitation			<u>758,065</u>
Total: U.S. Department of Education			<u>56,716,080</u>

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Health and Human Services:</b>			
Direct Programs			
Head Start	93.600	10016	47,898
Head Start - Early	93.600	(1)	1,923,459
Head Start - Basic Grant	93.600	(1)	16,981,415
Head Start - Training & Tech Assistance	93.600	(1)	184,103
Subtotal: Direct Programs			<u>19,136,875</u>
Pass-Through Program From California Department of Education			
Child Development: Federal Child Care	93.596	13609	<u>2,277,570</u>
Pass-Through Program From California Department of Health Services			
Medi-Cal	93.778	10013	<u>1,217,341</u>
Total: U.S. Department of Health and Human Services			<u>22,631,786</u>
<b>Department of Defense:</b>			
Direct Program			
Reserve Officers Training Corps	12.000	(1)	<u>193,933</u>
<b>Department of Agriculture:</b>			
Pass-Through Program From California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13523	20,433,586
Especially Needy Breakfast	10.553	13526	5,483,440
Basic School Breakfast	10.553	13525	28,948
Federal Snack Program	10.000	(1)	464,843
Subtotal Child Nutrition Cluster			<u>26,410,817</u>
Child and Adult Care Food Program	10.558	13529	1,108,476
Child and Adult Care Food Program: Summer Program Operations	10.559	13004	30,319
Fresh Fruit and Vegetable Program	10.582	14968	79,660
Cash In Lieu of Commodities	10.558	13534	40,445
Total: Department of Agriculture			<u>27,669,717</u>
Total Federal Program Expenditures			107,211,516
<b>Reconciliation to Federal Revenues:</b>			
Revenue in excess of expenditure related to Federal Entitlements			
Medi-Cal	93.778	10013	38,538
Child Development: Federal Child Care	93.596	13609	40,198
Child and Adult Care Food Program	10.558	13529	(9,469)
Child and Adult Care Food Program Cash in Lieu of Commodities	10.558	13529	30,153
Other Federal Revenue			
Qualified School Construction Bonds			<u>3,545,867</u>
Total Federal Revenue			<u>\$ 110,856,803</u>

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

The District is the recipient of a Federal award program that does not result in cash receipts or disbursements.  
The District was granted \$1,854,309 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, 2015**

	2016		2015 <sup>(1)</sup>		2014 <sup>(2)</sup>		2013 <sup>(2)</sup>	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Revenue</b>								
LCCF Sources	\$ 664,057,277	80.6	\$ 587,987,901	77.2	\$ 520,099,577	77.0	\$ 421,712,421	63.0
Revenue Limit Sources								
Federal	64,312,175	7.8	57,915,024	7.6	50,513,336	7.5	65,507,959	9.8
State	137,161,378	16.6	104,845,757	13.8	95,312,029	14.1	151,564,117	22.7
County and Local	17,751,318	2.2	21,832,444	2.9	17,808,688	2.6	16,802,869	2.5
Other Sources							500,000	
Total Revenue	<u>883,282,148</u>	<u>107.2</u>	<u>772,581,126</u>	<u>101.5</u>	<u>683,733,630</u>	<u>101.2</u>	<u>656,087,366</u>	<u>98.0</u>
<b>Expenditures</b>								
Certificated Salaries	365,075,740	44.3	357,163,653	46.9	330,510,058	49.0	323,424,314	48.4
Classified Salaries	110,843,384	13.6	108,884,413	14.2	100,526,918	14.9	98,183,124	14.7
Employee Benefits	198,805,493	24.1	182,543,531	24.0	148,053,399	21.9	150,038,643	22.4
Books and Supplies	53,619,879	6.5	29,517,482	3.9	23,666,426	3.5	17,715,753	2.6
Services and Other Operating Expenses	90,976,583	11.0	80,539,442	10.6	70,334,254	10.4	73,895,636	11.0
Capital Outlay	1,453,288	0.2	1,533,710	0.2	1,308,982	0.2	1,039,487	0.2
Other Transfers Out	317,450	-	920,274	0.1	1,312,228	0.2	125,767	-
Direct Support/Indirect Costs	(1,310,983)	(0.2)	(1,516,423)	(0.2)	(886,459)	(0.1)	(883,645)	(0.1)
Interfund Transfers Out	4,125,000	0.5	2,248,797	0.3	248,797	-	5,368,588	0.8
Total Expenditures	<u>823,905,834</u>	<u>100.0</u>	<u>761,834,879</u>	<u>100.0</u>	<u>675,074,603</u>	<u>100.0</u>	<u>668,907,667</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ 59,376,314</u>	<u>7.2</u>	<u>\$ 10,746,247</u>	<u>1.4</u>	<u>\$ 8,659,027</u>	<u>1.3</u>	<u>\$ (12,820,301)</u>	<u>(1.9)</u>
Ending Fund Balance	<u>\$ 174,515,880</u>	<u>21.2</u>	<u>\$ 115,139,566</u>	<u>15.1</u>	<u>\$ 104,393,319</u>	<u>15.5</u>	<u>\$ 95,734,292</u>	<u>14.3</u>
Available Reserve	<u>\$ 84,682,417</u>	<u>10.3</u>	<u>\$ 81,889,774</u>	<u>10.7</u>	<u>\$ 13,501,493</u>	<u>2.0</u>	<u>\$ 13,378,155</u>	<u>2.0</u>
Recommended Reserve Percentage		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>		<u>2.0</u>
Average Daily Attendance	<u>74,823</u>		<u>75,967</u>		<u>77,336</u>		<u>77,360</u>	
Total Long-Term Debt	<u>\$ 1,447,853,644</u>		<u>\$ 1,476,672,681</u>		<u>\$ 654,038,084</u>		<u>\$ 669,961,406</u>	

**IMPORTANT NOTES:**

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

(2) Prior year's Long-Term Debt has not been restated for the effect of GASB Statement No. 68 and No. 71 implementation.

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

2016 budget is the original adopted budget.

All percentages are of total expenditures.

Average daily attendance is based upon P-2.

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2015**

<u>Charter School</u>	<u>Included in District Audit Report</u>
Intellectual Virtues Academy	No
The New City School	No

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

There were no differences between the fund balances reported on the June 30, 2015 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2015**

**NOTE 1 – PURPOSE OF SCHEDULES:**

**A. Schedule of Average Daily Attendance (ADA)**

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

**B. Schedule of Instructional Time**

The District 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.

**C. Schedule of Expenditures of Federal Awards**

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

**D. Schedule of Financial Trends and Analysis**

The *2014-15 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 schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2015**

**NOTE 1 – PURPOSE OF SCHEDULES:** (continued)

**E. Schedule of Charter Schools**

The *2014–15 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.

**F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**OTHER INDEPENDENT AUDITOR'S REPORTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Long Beach Unified School District (the District), as of and for the year ended June 30, 2015, 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 23, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015

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

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

**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) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

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

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.

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

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

**Purpose of this Report**

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

*Vicenti, Lloyd + Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Long Beach Unified School District's (the District's) compliance with the types of compliance requirements described in the *2014–15 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, 2015. The District's State compliance requirements are identified in the table below.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to 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 *2014–15 Guide for Annual Audits of K–12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. However, our audit does not provide a legal determination of the District's compliance.

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

### Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Attendance reporting	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
Regional Occupational Centers or Programs maintenance of effort	Not applicable
Adult Education maintenance of effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	No <sup>1</sup>
Mode of instruction	No <sup>1</sup>
Nonclassroom–based instruction/independent study	No <sup>1</sup>
Determination of funding for nonclassroom–based instruction	No <sup>1</sup>
Annual instructional minutes – classroom based	No <sup>1</sup>
Charter School Facility Grant Program	No <sup>1</sup>

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<sup>1</sup>Testing for Charter Schools was done by each school’s respective auditor.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

### Opinion on State Compliance

In our opinion, the Long Beach Unified School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

### 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 *2014–15 Guide for Annual Audits of K–12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015



## **FINDINGS AND RECOMMENDATIONS**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**June 30, 2015**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

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

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

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

*Identification of major programs tested:*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
84.365	Title III, Limited English Proficient Children
84.367	Title II, Part A, Improving Teacher Quality

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**  
**June 30, 2015**

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

There were no findings and questioned costs related to basic financial statements, federal awards or state awards for the year ended June 30, 2015.

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2015**

There were no findings and questioned costs related to basic financial statements, federal awards or state awards for the year ended June 30, 2014.