

**LONG BEACH COMMUNITY COLLEGE DISTRICT
LOS ANGELES COUNTY**

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



**LONG BEACH
CITY COLLEGE**

LONG BEACH COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Long Beach Community College District
Long Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Long Beach Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Trustees
Long Beach Community College District

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

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the District as of June 30, 2016, and the results of its operations, changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Board of Trustees
Long Beach Community College District

Other Information

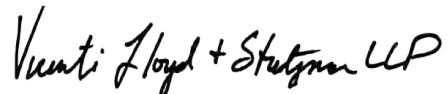
Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary schedules and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2016

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Long Beach Community College District (the District) for the year ended June 30, 2016. This discussion is prepared by management and should be read in conjunction with the financial statements and notes, which follow this section.

The District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 25,000 students at two campuses, the Liberal Arts Campus and the Pacific Coast Campus. To serve its community, the District offers a comprehensive set of education programs and support services in response to student and community needs and plays a key role in transfer preparation, workforce development, basic skills, associate degrees, and economic development.

Accounting Standards

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

Selected Highlights

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

- Cash balance (cash and cash equivalents) current and restricted decreased \$11.2 million (7.6%) from \$147.8 million to \$136.6 million mainly due to payments for construction and financing activities. (More details in subsequent pages.)
- Total operating, non-operating and other revenues increased \$19.1 million (8.7%) from \$219.6 million to \$238.7 million mainly due to increases in non-operating revenues. (More details in subsequent pages.)

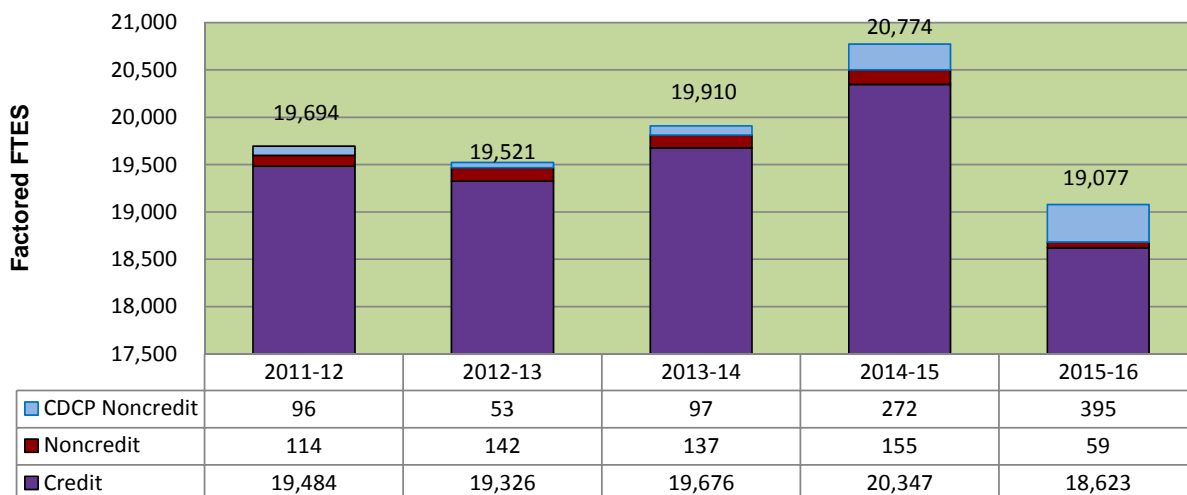
LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2016

- The District’s primary funding source is “State Apportionment Funding” received from the State of California through the State Chancellor’s Office. This funding is one component of the overall funding based formula for community colleges. The other two components are local property taxes and student enrollment fees, which were \$46 per unit in the year ended June 30, 2016. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total apportionment eligible FTES reported was 19,077 for the 2015-16 fiscal year. This represents a decline of 1,697 which puts the District into stability funding for 2015-16.
- Total ending fund balances (modified accrual basis of accounting) decreased \$7.4 million (-5.9%) from \$126.4 million to \$119.0 million due mainly to the \$21.7 million decrease in the Revenue Bond Construction Fund caused by program construction expenditures. This decrease is netted against increases in most other funds.
- Net position (full accrual basis of accounting) decreased \$2.6 million (-3.6%) from -\$72.4 million to -\$75.0 million, which is due to decreases in investment in capital assets and unrestricted portions offset by the increase to the restricted portion.

**Annual Enrollment
Full-Time Equivalent Students (FTES)**



LONG BEACH COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

- The primary expenditure of the District is for the salaries and benefits for academic, classified, and administrative personnel. These costs increased from the previous fiscal year by \$18.2 million to \$128.6 million. This (16.5%) net increase is due to staff and salary increases, the increase to the annual required contribution (ARC) for retiree benefits, the increased STRS contribution, and the supplemental employee retirement plan (SERP).
- The District continues to make significant progress with the construction of new facilities and the renovation of existing facilities including:

Location	% Complete
<u>Liberal Arts Campus</u>	
Math Tech & Culinary Arts Center – Building V	100%
Nursing/Health Tech – Building C Modernization	100%
Building D, First and Second Floors	5%
<u>Pacific Coast Campus</u>	
Alternate Fuels – Building JJ Retrofit	100%
Student Services Center – Building GG Retrofit	100%
New Classroom Building QQ/Building RR Renovation	15%
<u>Both Campuses</u>	
Master Landscape Implementation	100%
Campus-wide Security Monitoring System	5%

Projects in the planning and design stages are:

- Language Arts Department (Building P) – Liberal Arts Campus
- Auditorium (Building J) – Liberal Arts Campus

These projects are funded through the District's \$440 million (Election 2008) and \$850 million (Election 2016) general obligation bond programs.

- The District provided student financial aid to qualifying students of the District in the amount of \$43.7 million. This represents a \$3.1 million decrease from the 2014-15 fiscal year. This aid is provided through grants and loans from the Federal and State programs. Federal Pell Grant maximums increased 0.8% to \$5,775 per student in 2015-16. As the economy has improved, the number of financial aid eligible students has leveled off and is slightly decreasing.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Financial Statement Presentation and Basis of Accounting Governmental Funds

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

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

Also, in accordance with GASB Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting, which requires that revenues are recognized when earned and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting and the total net position recorded on the full accrual basis of accounting is shown in the supplemental information of the audit report.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the District as of the end of the fiscal year. It is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a "point-in-time" financial statement. The purpose of this statement is to present the readers with a fiscal snapshot of the District on June 30, 2016. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows, liabilities (current and non-current), deferred inflows and net position (assets and deferred outflows minus liabilities and deferred inflows).

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Cash balance (cash and cash equivalents) current and restricted decreased \$11.2 million (-7.6%) from \$147.8 million to \$136.6 million mainly due to \$14.0 million paid for capital assets offset by net increases to other areas.

Receivables increased \$4.0 million (35.7%) from \$11.3 million to \$15.3 million mainly due to a \$3.2 million increase to federal and state grant and program receivables.

Capital assets increased 1.1% from \$375.9 million to \$380.2 million. This is the result of the District's continuing investment in constructing and renovating buildings at both of the District's two campuses. The increase is less than recent years due to a slight lull in construction program due to several major project completions.

Deferred outflows – pensions and deferred inflows – pensions are components of the pension liability for STRS and PERS. These items are explained in the footnotes of these financial statements. Deferred outflows increased \$6.7 million (92.1%) and the deferred inflows decreased \$12.3 million (52.5%) for the District's proportionate share of changes in actuarial assumptions, based on statements from STRS and PERS. These positive changes are offset by the \$19.4 million increase in net pension liability, which makes the net effect of reporting pensions \$99.7 million, which is comparable to the previous year.

Unearned revenue increased \$4.4 million (28.5%) from \$15.4 million to \$19.8 million due mainly to significant advance funding for grants in 2015-16 specifically the CCPT AMETLL grant, innovation in higher education award, restricted lottery, and the Adult Education grant.

Long-term liabilities less current portion increased \$6.7 million (1.2%) from \$553.9 million to \$560.6 million due to the \$19.3 million increase in net pension liability for STRS and PERS, offset by paying down bond debt and other decreases. Additionally, \$2.3 million in a supplemental employee retirement plan was issued during 2015-16.

The components of net position are investment in capital assets, restricted assets and unrestricted assets. The negative \$53.4 million in net position invested in capital assets consists of \$380.2 million in capital assets, net of accumulated depreciation and including The Revenue Bond Construction Fund balance of \$20.0 million, less \$466.4 million in bond debt, including bond premiums.

This investment in capital assets consists of land, infrastructure, buildings, and equipment less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide educational, meeting, and athletic facilities to students and the community; consequently, these assets are not available for future spending. The resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

\$48.6 million of restricted net position are assets that must be used to meet the goals and purposes of the Federal, State, local, or private agencies providing the assets, including capital projects, student financial aid, restricted parking and student health fees, or amounts designated for debt services.

The value of unrestricted net position was negative \$70.2 million. The negative balance is primarily due to the recognition of \$102.6 million net pension liability for STRS and PERS. The net impact of financial reporting for pensions is a negative \$99.7 million (approximately the same as prior year). Without recognizing this liability, the unrestricted net position would be a positive \$29.5 million, which is a \$3.4 decrease from prior year. Much of the positive portion of unrestricted net position has been designated by the Board for such purposes as outstanding commitments on contracts, child development, community education and retiree health benefits and general reserves for the ongoing financial health of the District.

Additionally, in accordance with the Chancellor's Office's Institutional Effectiveness Partnership Initiative (IEPI), the District has established minimum reserve goals in addition to the reserve policy. The short-term reserve goal is 12.5% and the long-term reserve goal is 15.0% for unrestricted general funds.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

	(in thousands)	(in thousands)	
	<u>2016</u>	<u>2015</u>	<u>Change</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 79,770	\$ 71,413	11.7%
Receivables	15,308	11,278	35.7%
Prepaid expenses	<u>1,299</u>	<u>1,724</u>	-24.7%
Total current assets	<u>96,377</u>	<u>84,415</u>	14.2%
Non-current assets			
Restricted cash and cash equivalents	56,815	76,337	-25.6%
Capital assets, net of depreciation	<u>380,195</u>	<u>375,970</u>	1.1%
Total non-current assets	<u>437,010</u>	<u>452,307</u>	-3.4%
Total assets	533,387	536,722	-0.6%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	12,893	13,816	-6.7%
Deferred outflows - pensions	<u>14,060</u>	<u>7,321</u>	92.1%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>560,340</u>	<u>557,859</u>	0.4%
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	23,319	22,544	3.4%
Due to fiduciary fund	206	43	379.1%
Due to OPEB Trust	85	43	97.7%
Unearned revenue	19,844	15,437	28.5%
Amounts held in trust for others	74	98	-24.5%
Estimated claims liability	720	720	0.0%
Long-term liabilities - current portion	<u>19,342</u>	<u>14,055</u>	37.6%
Total current liabilities	<u>63,590</u>	<u>52,940</u>	20.1%
Non-current liabilities			
Long-term liabilities less current portion	<u>560,595</u>	<u>553,850</u>	1.2%
Total non-current liabilities	<u>560,595</u>	<u>553,850</u>	1.2%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	<u>11,153</u>	<u>23,473</u>	-52.5%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>635,338</u>	<u>630,263</u>	0.8%
NET POSITION			
Net investment in capital assets	(53,412)	(43,366)	-23.2%
Restricted	48,610	37,419	29.9%
Unrestricted	<u>(70,195)</u>	<u>(66,457)</u>	5.6%
TOTAL NET POSITION	<u>\$ (74,997)</u>	<u>\$ (72,404)</u>	3.6%

This schedule has been prepared from the Statement of Net Position presented on page 2.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Statement of Revenues, Expenses and Change in Net Position

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

	(in thousands) <u>2016</u>	(in thousands) <u>2015</u>	<u>Change</u>
Operating Revenues			
Net tuition and fees	\$ 10,727	\$ 10,194	5.2%
Grants and contracts, non-capital	77,490	75,743	2.3%
Auxiliary commissions and stadium concessions	<u>912</u>	<u>937</u>	-2.7%
Total operating revenues	<u>89,129</u>	<u>86,874</u>	2.6%
Operating Expenses			
Salaries and benefits	128,577	110,368	16.5%
Supplies, materials and other operating expenses and services	41,731	32,545	28.2%
Financial aid	43,733	46,780	-6.5%
Depreciation	<u>11,137</u>	<u>9,301</u>	19.7%
Total operating expenses	<u>225,178</u>	<u>198,994</u>	13.2%
Operating loss	<u>(136,049)</u>	<u>(112,120)</u>	21.3%
Non-operating revenues			
State apportionments, non-capital	81,447	81,223	0.3%
Local property taxes	26,313	16,831	56.3%
State taxes and other revenues	15,986	4,889	227.0%
Investment income, net	<u>662</u>	<u>550</u>	20.4%
Total non-operating revenues	<u>124,408</u>	<u>103,493</u>	20.2%
Other revenues, (expenses), gains or (losses)			
State apportionments, capital	1,906	3,190	-40.3%
Local property taxes and other revenues, capital	22,885	25,434	-10.0%
Investment income, capital	388	573	-32.3%
Interest expense	(16,139)	(14,543)	11.0%
Net gain (loss) on disposal of capital assets	<u>8</u>	<u>(2,100)</u>	-100.4%
Total other revenues, (expenses), gains or (losses)	<u>9,048</u>	<u>12,554</u>	-27.9%
Changes in net position	<u>(2,593)</u>	<u>3,927</u>	-166.0%
Net position, beginning of year as previously reported	(72,404)	23,183	-412.3%
Cumulative effect of change in accounting principle	<u>-</u>	<u>(99,514)</u>	-100.0%
Net position, beginning of year after cumulative effect	<u>(72,404)</u>	<u>(76,331)</u>	-5.1%
Net position, end of year	<u>\$ (74,997)</u>	<u>\$ (72,404)</u>	3.6%

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Position on page 3.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

	(in thousands) 2016	(in thousands) 2015	Change
Revenues			
Operating Revenues	\$ 89,129	\$ 86,874	2.6%
Non Operating Revenues	124,408	103,493	20.2%
Other Revenues	<u>25,179</u>	<u>29,197</u>	-13.8%
	238,716	219,564	8.7%
Expense			
Operating Expenses	(225,178)	(198,994)	13.2%
Other Expenses	<u>(16,131)</u>	<u>(16,643)</u>	-3.1%
Total Expenses	(241,309)	(215,637)	11.9%
Change in Net Position	<u>(2,593)</u>	<u>3,927</u>	-166.0%
Net position, beginning of year as previously reported	(72,404)	23,183	-412.3%
Cumulative effect of change in accounting principles	<u>-</u>	<u>(99,514)</u>	-100.0%
Net position, beginning of year after cumulative effect	<u>(72,404)</u>	<u>(76,331)</u>	-5.1%
Net Position End of Year	<u><u>\$ (74,997)</u></u>	<u><u>\$ (72,404)</u></u>	3.6%

This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position presented on page 3.

Non-operating revenues increased \$20.9 million due mainly to a \$9.5 million increase in property tax revenue, which is a component of apportionment, and a \$11.3 million one-time state mandated cost reimbursement.

Other revenues decreased \$4.0 million due mainly to the decrease in property tax revenue through the Bond Interest and Redemption Fund collected for general obligation bond debt and fluctuates according to the repayment schedule.

Operating expenses increased by \$26.2 million due mainly to the \$18.2 million increase in salaries and benefits, and the \$9.2 million increase in supplies, materials, and other operating expenses.

Total revenues were \$238.7 million while total expenditures were \$241.3 million. This yields a decrease in net position of \$2.6 million.

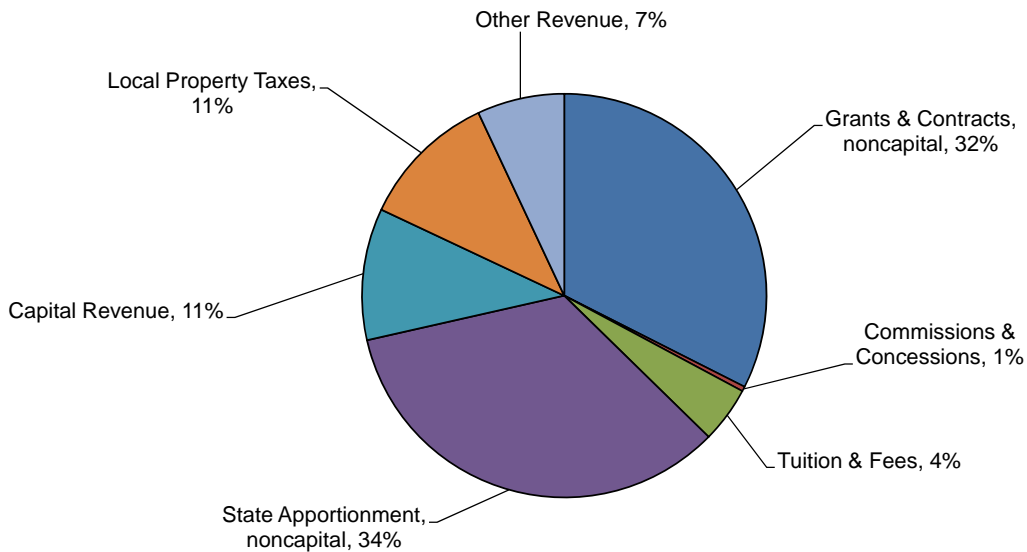
The reporting of pensions liabilities for STRS and PERS decreases the net position by \$99.7 million as of June 30, 2016 and \$99.4 million as of June 30, 2015.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Pronouncements effective last year, require the District to reflect its proportionate share of pension liabilities in the financial statements. As a result, most community college districts will show a negative net position on their financial statements.

The following chart shows the sources of revenue to the District. The largest sources are State apportionment, non-capital (34%) which is derived from the State's funding formula for Community Colleges; and Grants & Contracts, non-capital (32%).

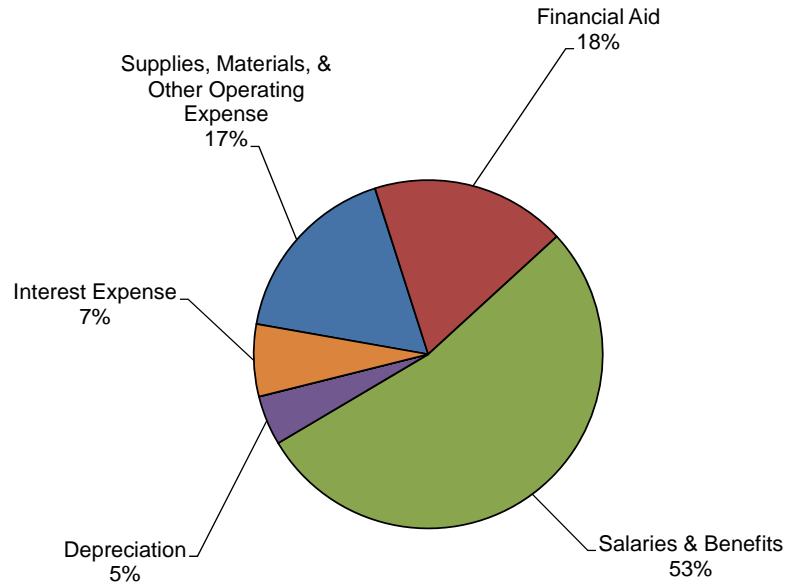
Revenue 2015-16



The following chart shows where the District's money is spent. The largest category of expenses (53%) is for salaries and benefits. This reflects the college's reliance on faculty members and support staff to carry out its educational mission.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Expenses 2015-16



Statement of Cash Flows

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

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

Operating activities – Cash receipts from operating activities are derived from a variety of sources, including from student fees, enterprise activities, and from Federal, State, local, and

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

private grants. Uses of cash are salaries and benefits for employees, payments to vendors, and financial aid to students. Cash receipts and payments vary based on timing of the District receiving and disbursing cash; however, throughout the year, the District always maintained a positive cash position.

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

Capital and related financing – The cash used in this section includes purchases of capital assets and debt repayments related to the general obligation bond program.

The net change in cash, considering all sources and uses, was a decrease of \$11.2 million. This results in an end of year cash balance of \$136.6 million. As a matter of prudent financial management, the District maintains a positive cash position at all times.

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

	(in thousands)	(in thousands)	
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Cash Provided By (Used in)			
Operating activities	\$(122,226)	\$ (90,083)	-35.7%
Non-capital financing activities	122,444	112,994	8.4%
Capital and related financing activities	(11,973)	(33,787)	64.6%
Investing activities	<u>589</u>	<u>552</u>	6.7%
Net increase/(decrease) in cash and cash equivalents	(11,166)	(10,324)	8.2%
Cash balance, beginning of year	<u>147,750</u>	<u>158,074</u>	-6.5%
Cash balance, end of year	<u>\$ 136,584</u>	<u>\$ 147,750</u>	-7.6%

This schedule has been prepared from the Statement of Cash Flow presented on page 4.

Net cash flows used in operating activities increased by \$32.1 million due mainly to the \$5.1 million decrease in local grants and contracts inflows and the \$9.2 million increase in payments to suppliers and the \$16.6 million increase in payments to and on behalf of employees.

Cash provided by non-capital financing activities increased \$9.4 million due mainly to the \$11.3 million mandated cost reimbursement.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Cash flows used in capital and related financing activities decreased \$21.8 million. This is mainly due to the decrease in financing activities due to the fact there were two bond refundings in 2014-15 and none in 2015-16.

Capital Assets and Debt Administration

Capital Assets

In accordance with financial statement reporting requirements, all assets, including land, is recorded at historical cost. Actual fair-market value of land is substantially higher than historical cost. This is due to the fact that land for the Liberal Arts Campus and the Pacific Coast Campus was acquired approximately eighty years ago and land values in Southern California have increased over this time. On June 30, 2015, the District had \$376.0 million, net of depreciation, in a broad range of capital assets including land, buildings, equipment and construction in progress. During the 2015-16 fiscal year, the District continued to modernize various facilities throughout the District at a cost of \$15.4 million. At the end of the year capital assets, net of depreciation, were valued at \$380.2 million, which is a 1.1% increase.

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

	(in thousands) Balance <u>June 30, 2016</u>	(in thousands) Balance <u>June 30, 2015</u>	<u>Change</u>
Land	\$ 25,976	\$ 25,976	0.0%
Construction in progress	4,557	87,508	-94.8%
Site and site improvements	423,637	328,068	29.1%
Equipment	<u>14,801</u>	<u>12,090</u>	22.4%
Totals at historical cost	<u>468,971</u>	<u>453,642</u>	3.4%
Less accumulated depreciation for:			
Site and site improvements	77,451	67,217	15.2%
Equipment	<u>11,325</u>	<u>10,455</u>	8.3%
Total accumulated depreciation	<u>88,776</u>	<u>77,672</u>	14.3%
Capital assets, net	<u>\$ 380,195</u>	<u>\$ 375,970</u>	1.1%

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Long-Term Debt

As of June 30, 2016, the District had \$579.9 million in long-term debt. During the 2015-16 fiscal year, long-term debt increased by \$12.0 million. This is mainly due to the \$19.4 million increase to net pension liability and \$2.3 million issuance of the supplement employee retirement plan. The District's bond rating is AA - (S&P) and Aa2 (Moody's).

Notes 7 through 12 to the financial statements provide additional information on long-term liabilities. The reporting of pension liabilities for STRS and PERS is explained in Note 11 and in statements in the Required Supplementary Information section of this report. A comparison of long-term debt is summarized below:

	(in thousands) Balance <u>June 30, 2016</u>	(in thousands) Balance <u>June 30, 2015</u>	<u>Change</u>
Compensated absences	\$ 5,730	\$ 5,360	6.9%
General obligation bonds, net	466,482	473,780	-1.5%
Other postemployment benefits other than pensions	2,764	5,512	-49.9%
Net pension liability	102,618	83,253	23.3%
Supplemental employee retirement plan	<u>2,343</u>	<u>-</u>	100.0%
Total long term debt	579,937	567,905	2.1%
Total short term portion	<u>(19,342)</u>	<u>(14,055)</u>	37.6%
Total long term portion	<u>\$ 560,595</u>	<u>\$ 553,850</u>	1.2%

District's Fiduciary Responsibility

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Economic Factors Affecting the Future of Long Beach Community College District

State Economy

The economic position of Long Beach Community College District is closely tied to the economic health of the State of California. State apportionment, non-capital, tuition and fees, and local property taxes of \$110.8 million support 52% of total operating expenses, excluding depreciation.

State Budget. The good news for California is that the economic recovery continues. The bad news is that it is a very mild recovery. In addition, this current recovery has already outlasted the typical duration of economic recoveries. Consequently, Governor Brown continues to warn of the inevitable economic downturn that lies ahead. The 2016-17 State Budget includes \$120.3 billion in general fund revenues and \$122.5 billion in general fund expenditures. It also includes reserve balances of approximately \$1.8 billion in the Special Fund for Economic Uncertainties and \$6.7 billion in the Budget Stabilization Account (BSA). The State Budget focuses on preparing the State for the next recession by limiting new ongoing spending obligations and continued contributions to the BSA. The State Budget includes Proposition 98 funding of \$71.9 billion, representing an increase of \$3.5 billion beyond the fiscal year 2015-16. Major adjustments in the 2016-17 State Budget that impact Community Colleges include augmentations to: apportionment, career technical education, student success, enhanced technology, and other ongoing and limited-term adjustments.

Challenges

The District continues to face challenges. Some challenges are state-wide challenges while some are unique to certain areas or districts. The major challenges known at this time are discussed below.

Education Protection Act (EPA). The sunset of the temporary Proposition 30 (EPA revenue) taxes has been looming in recent years. The sunset has come for the 0.25% sales tax increase, which ends December 31, 2016. However, the income tax portion of EPA has been extended beyond the original expiration of 2018 due to the passage of Proposition 55 by the voters in November 2016. Now, EPA funding will continue with the income tax portion, which has been approximately 79% of total EPA funding, through December 2030.

Increasing Pension Obligations. The Governor began addressing the severely underfunded status of the STRS pension in 2013-14. Beginning in that year, the Governor increased contribution rates after years without change to these rates that are set by statute. STRS employer contribution rates will increase from 8.25% to 19.10% by 2020-21 according to the Governor's plan. PERS also has plans to increase employer's contributions. The employer's share is

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

expected to be 19.80% by 2020-21. These steep increases pose a significant budget challenge to districts going forward.

Although contributions from districts have increased in recent years, unfunded pension liabilities have remained high. This reminds us of two things: 1) investment gains or losses have greater short-term impact on liability balances than contribution increases, and 2) pension contributions are long-term investments. The goal of increased contributions was to curb the negative trend and to help ensure that the pension funds are solvent in the long term. So, the positive impact of current contribution increases is expected to be seen some 20 to 30 years in the future when those contributions are compounded with years of net investment earnings.

Enrollment. Due to declining enrollment, the District received stabilization funding in 2015-16. Fall 2016 enrollment is slightly below goals, but marketing efforts have been stepped up to try to reach the year-end target. The District needs to grow back at least to the base full-time equivalent student (FTES) level of 20,775 to avoid decreased apportionment revenue in 2016-17. In addition, stricter eligibility requirements for Board of Governors Grant (BOGG) waivers enacted in 2016-17 could reduce enrollment going forward.

Retiree Benefit Obligations. Other post-employment benefits (OPEB) liabilities for future retiree health benefits have increased sharply. Based on the July 2015 Actuarial Study, the annual required contribution (ARC) is \$5.2 million, which is an 86% increase. The District's unfunded actuarial accrued liability (UAAL) is \$44.4 million.

Deficit Spending. The District's 2016-17 Adopted Budget includes over \$10 million in deficit spending. A majority of that is due to one-time projects. Ongoing expenditures will be monitored to ensure that structural deficits do not become unmanageable on a long-term basis.

Other Updates

Salary increases. The District's 2016-17 Adopted Budget allows for salary increases based on previously negotiated agreements as well as increases negotiated in 2015-16. Full-time faculty salary schedules were increased effective July 2015 resulting in an average 6.88% increase of which 4.38% is ongoing. Part-time faculty received a 4.5% increase effective August 2015.

Retiree Health Fund. The District continues to fund the Retiree Health Fund with contributions of at least the actuarial determined Annual Required Contribution (ARC) amount. The Retiree Health Fund, ended the year with a \$24.1 million fund balance. Of that balance, \$7.1 million represents the ending fund balance of the irrevocable Retiree Benefit Trust reported in a separate statement of net position and statement of changes in net position for Other Postemployment Benefits Plan in accordance with GASB Statements No. 43 and No. 45.

LONG BEACH COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

President Search. Superintendent-President, Eloy Ortiz Oakley has been appointed Chancellor of the California Community College system. His appointment begins December 19, 2016. Consequently, the District has begun a search for a successor. A search consultant has been hired and a 22-member search committee has been formed. The goal is to have a new Superintendent-President in place by July 1, 2017.

Facilities Master Plan. The District prepared its Facilities Master Plan in spring 2016. The plan summarizes construction planned for the next 25 years through 2041.

Local Bonds. On June 7, 2016, the District voters approved Measure LB, a general obligation bond initiative under Proposition 39. This authorized \$850 million in bonds to help the District continue the construction planned in its Facilities Master Plan. On September 7, 2016, the District issued \$85 million in bonds including \$3.21 million from 2008 election authorization and \$81.79 million from the new 2016 election authorization. These funds are expected to continue the Districts construction projects for the next three years.

State Facilities Bonds. In November 2016, state voters approved Proposition 51, which authorizes \$9 billion in general obligation bonds for K-14 public school facilities. The District has construction projects that are pre-approved by the state awaiting state bond funding.

Contacting the District

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

BASIC FINANCIAL STATEMENTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 79,769,587
Accounts receivable, net	15,308,021
Prepaid expenses	1,299,593

Total current assets

96,377,201

Non-current assets

Restricted cash and cash equivalents	56,814,880
Capital assets, net	380,194,609

Total non-current assets

437,009,489

TOTAL ASSETS

533,386,690

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	12,893,330
Deferred outflows - pensions	14,059,803

TOTAL DEFERRED OUTFLOWS OF RESOURCES

26,953,133

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 560,339,823

LIABILITIES

Current liabilities

Accounts payable	\$ 14,873,241
Accrued interest payable	3,888,055
Accrued liabilities	4,558,111
Due to fiduciary fund	205,811
Due to OPEB Trust	84,524
Unearned revenue	19,843,481
Amounts held in trust for others	73,497
Estimated claims liability	719,530
Current portion of long-term debt	19,342,356

Total current liabilities

63,588,606

Long-term debt

560,595,145

TOTAL LIABILITIES

624,183,751

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pensions	11,153,003
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TOTAL DEFERRED INFLOWS OF RESOURCES

11,153,003

NET POSITION

Net investment in capital assets	(53,412,244)
Restricted for:	
Capital projects	22,802,714
Debt service payments	22,304,938
Scholarships and loans	121,523
Other special services	3,380,335
Unrestricted	<u>(70,194,197)</u>

TOTAL NET POSITION

(74,996,931)

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

\$ 560,339,823

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

OPERATING REVENUES	
Tuition and fees (gross)	\$ 28,017,947
Less: Scholarship discounts & allowances	(17,291,314)
Net tuition and fees	<u>10,726,633</u>
Grants and contracts, non-capital:	
Federal	46,855,071
State	24,131,642
Local	6,504,273
Auxiliary commissions and stadium concessions	<u>911,681</u>
TOTAL OPERATING REVENUES	<u>89,129,300</u>
OPERATING EXPENSES	
Salaries	89,728,672
Employee benefits	38,848,173
Supplies, materials, and other operating expenses and services	38,967,344
Financial aid	43,733,418
Utilities	2,762,925
Depreciation	<u>11,137,288</u>
TOTAL OPERATING EXPENSES	<u>225,177,820</u>
OPERATING LOSS	<u>(136,048,520)</u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, non-capital	81,446,607
Local property taxes	26,312,917
State taxes and other revenue	15,986,260
Interest and investment income	<u>662,452</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>124,408,236</u>
LOSS BEFORE OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)	<u>(11,640,284)</u>
OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)	
State apportionments, capital	1,906,248
Local property taxes and revenue, capital	22,884,836
Interest and investment income, capital	388,383
Interest expense on capital asset-related debt	(16,139,876)
Gain on disposal of capital assets	<u>7,823</u>
TOTAL OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)	<u>9,047,414</u>
CHANGE IN NET POSITION	<u>(2,592,870)</u>
NET POSITION, BEGINNING OF YEAR	<u>(72,404,061)</u>
NET POSITION, END OF YEAR	<u><u>\$ (74,996,931)</u></u>

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees (net)	\$ 10,887,106
Federal grants and contracts	47,308,934
State grants and contracts	24,583,384
Local grants and contracts	5,355,777
Auxiliary commissions and stadium concessions	911,681
Payments to suppliers	(40,919,847)
Payments to/on-behalf of employees	(126,729,148)
Payments to/on-behalf of students	(43,762,314)
Amounts received/(paid) in trust	<u>138,759</u>
Net cash used by operating activities	<u>(122,225,668)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments and receipts	80,269,430
Local property taxes	26,312,917
State taxes and other revenue	<u>15,861,529</u>
Net cash provided by non-capital financing activities	<u>122,443,876</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionment for capital purposes	1,906,248
Local revenue for capital purposes	23,583,308
Interest on investments, capital funds	608,799
Net purchase and sale of capital assets	(14,033,098)
Principal and interest paid on capital related debt	<u>(24,038,118)</u>
Net cash used by capital and related financing activities	<u>(11,972,861)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>589,295</u>
Net cash used by investing activities	<u>589,295</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (11,165,358)

CASH BALANCE - Beginning of Year 147,749,825

CASH BALANCE - End of Year \$ 136,584,467

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

**Reconciliation of Operating Loss to
Net Cash Used by Operating Activities**

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$(136,048,520)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	11,137,288
Changes in assets and liabilities:	
Receivables, net	(3,427,004)
Prepaid expenses	424,276
Deferred outflows of resources - pensions	(6,739,063)
Accounts payable	357,250
Accrued liabilities	1,534,650
Due to fiduciary	163,306
Due to OPEB trust	41,948
Unearned revenue	3,344,586
Amounts held for others	(24,547)
Compensated absences	369,931
Supplemental employee retirement plan	2,342,920
Net pension liabilities	19,366,039
Other postemployment retiree benefits (OPEB)	(2,748,634)
Deferred inflows of resources - pensions	<u>(12,320,094)</u>
Net cash used by operating activities	<u><u>\$(122,225,668)</u></u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 79,769,587
Restricted cash and cash equivalents	<u>56,814,880</u>
Total	<u><u>\$ 136,584,467</u></u>

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Associated Student Body Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 2,974,804
Accounts receivable	3,899
Due from governmental funds	<u>205,811</u>
TOTAL ASSETS	<u>3,184,514</u>
LIABILITIES	
Accounts payable	34,625
Amounts held for others	525,532
Unearned revenue	<u>133,671</u>
TOTAL LIABILITIES	<u>693,828</u>
NET POSITION	
Unrestricted	<u>2,490,686</u>
TOTAL NET POSITION	<u><u>\$ 2,490,686</u></u>

See accompanying notes to the financial statements.

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

	<u>Associated Student Body Fund</u>
ADDITIONS	
Student fees	\$ 937,575
Other local revenues	48,675
Interest and investment income	<u>12,638</u>
TOTAL ADDITIONS	<u>998,888</u>
DEDUCTIONS	
Salaries	148,384
Employee benefits	58,146
Supplies, materials, and other operating expenses and services	<u>613,904</u>
TOTAL DEDUCTIONS	<u>820,434</u>
CHANGE IN NET POSITION	178,454
NET POSITION, BEGINNING OF YEAR	<u>2,312,232</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,490,686</u></u>

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT
STATEMENT OF
OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
June 30, 2016

	Retiree Benefit Trust
ASSETS	
Investments	\$ 7,006,593
Due from governmental funds	84,524
TOTAL ASSETS	7,091,117
TOTAL NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 7,091,117

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN
OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
For the Fiscal Year Ended June 30, 2016**

	<u>Retiree Benefit Trust</u>
ADDITIONS	
Investment Income:	
Interest and investment income	\$ 97,103
Realized loss on investments	(14,805)
Unrealized gain on investments	19,027
Investment expense	<u>(20,929)</u>
Net investment income	80,396
Contributions	<u>5,084,524</u>
TOTAL ADDITIONS	<u>5,164,920</u>
CHANGE IN NET POSITION	5,164,920
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR	<u>1,926,197</u>
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR	<u><u>\$ 7,091,117</u></u>

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

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

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Long Beach City College Foundation – The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized to provide support for the activities and programs of the District. The Foundation is not included as a component unit because the second criterion was not met; the District is not entitled to, nor has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. Separate financial statements for the Foundation can be obtained through the District.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Proprietary activities reported in the enterprise and internal service funds are included in the entity-wide perspective. Fiduciary activities, including Retiree Benefit Trust activities, are excluded from the basic financial statements. Student Financial Aid programs and retiree benefit activities not included in the Retiree Benefit Trust are included in the basic financial statements.

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes and other contributions. The District had Cash in the County Treasury amounting to \$1,340,657 and Cash with Fiscal Agent amounting to \$30,000 on June 30, 2016, which represents withholdings payable and amounts due to the General Fund for payments made on the warrant pass-through fund's behalf.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

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

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

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

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivables

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

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

Prepaid Expenses

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

Investments

Investments in the Retiree Benefit Trust are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at \$5,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions results from the following and are recognized as follows:

- District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans will be recognized as a reduction of the net pension liability in the subsequent fiscal year.
- All other deferred outflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for the California State Teachers' Retirement System (CalSTRS) – State Teachers' Retirement Plan, 3.9 years for the California Public Employees' Retirement System (CalPERS) – Schools Pool Plan, and 3.8 years for the CalPERS – Miscellaneous Employer Plan. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

June 30. Accrued liabilities consist of salaries and benefits payable.

Unearned Revenue

Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the Statement of Net Position when incurred.

The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

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

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the following and are amortized to pension expense as follows:

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.
- All other deferred inflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for CalSTRS - State Teachers' Retirement Plan, 3.9 years for CalPERS – Schools Pool Plan and 3.8 years in CalPERS - Miscellaneous Employer Plan. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

Net Position

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

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

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

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

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February will be recorded in the year computed by the State.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes

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

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

Classification of Revenues

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

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

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarship Discounts and Allowances

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

Estimates

The preparation of the financial statements in conformity with generally accepted accounting

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Tax Status

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

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

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

Minimum Reserve Policy

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

In accordance with the Chancellor's Office's Institutional Effectiveness Partnership Initiative (IEPI), the District has established minimum reserve goals in addition to the reserve policy. The short-term reserve goal is 12.5% and the long-term reserve goal is 15.0%.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 2: DEPOSITS AND INVESTMENTS

be returned to it. The District has established a policy for custodial risk that follows requirements as set forth in Government code Section 53600 et seq. As of June 30, 2016, \$3,674,611 of the District's bank balance of \$4,685,023 was exposed to credit risk as follows:

<u>District's Bank Balance</u>	<u>June 30, 2016</u>
Uninsured but collateralized by securities held by the bank's trust department, not in the District's name	\$ 3,185,495
Uninsured and uncollateralized ⁽¹⁾	489,116
	<u>\$ 3,674,611</u>

⁽¹⁾ Deposits held with the fiscal agent, SWACC under the District's Property and Liability self-insurance program, totaled \$458,938. SWACC follows *California Government Code* in managing member district deposits. All of SWACC's assets are fully collateralized in SWACC's name.

Cash in County Treasury

In accordance with Title 5 and the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Los Angeles County Treasury (the County) as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.1168% of carrying value and is based upon the District's pro-rata share of the fair value for the entire portfolios (in relation to the amortized cost of the portfolio). The District's investment in the pool is considered to be highly liquid and is therefore reflected as cash and cash equivalents in the Statement of Net Position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest 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, except for the student financial aid fund, in which case interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 2: DEPOSITS AND INVESTMENTS

participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

Investments

Policies

Investments held by the Futuris Public Entity Investment Trust (the Retiree Benefit Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Government Code Section 53620 through 53622. The Retiree Benefit Trust did not violate any provisions of the investment policy during the fiscal year ended June 30, 2016.

Investment Valuation

During fiscal year ended June 30, 2016, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The adoption resulted in the disclosure of the basis for fair value measurements of investments as well as the disclosure of investment cost at the fiscal year-end as described below.

Investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Fair value for mutual funds has been determined using Net Asset Value per share (NAV). NAV is based on the underlying securities held in the fund. Investments' fair value measurements at June 30, 2016 are presented below:

<u>Investment</u>	<u>Cost</u>	Fair Value - Measured at <u>NAV</u>
Equity Mutual Funds	\$ 2,758,754	\$ 2,762,333
Fixed Income Mutual Funds	3,806,240	3,821,909
Real Estate Mutual Funds	414,237	422,351
	<u>\$ 6,979,231</u>	<u>\$ 7,006,593</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 2: DEPOSITS AND INVESTMENTS

the sensitivity of its fair value to changes in market interest rates. The Retiree Benefit Trust investment policy follows California Government Code Section 53601 and limits investment maturities to 5 years.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Retiree Benefit Trust follows Government Code to reduce exposure to investment credit risk. As of June 30, 2016, the Retiree Benefit Trust's investments are in mutual funds which are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. In accordance with GASB, the Retiree Benefit Trust is exposed to concentration of credit risk whenever investments in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

The Retiree Benefit Trust's investment policy limits investments in any single equity security to be not more than 5%. In addition, the Retiree Benefit Trust's investment policy prohibits investments in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer. This limitation is not intended to apply to the percentage of the Retiree Benefit Trust assets invested in a single diversified mutual fund. Nor does the limitation apply to obligations of the U.S. Government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such obligations or securities. At June 30, 2016 the Retiree Benefit Trust had not invested more than 5% of its portfolio in one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Retiree Benefit Trust will not be able to recover the value of its investments that are in possession of an outside party. The Retiree Benefit Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016 consists of the following:

Accounts Receivable	June 30, 2016
Federal and State	\$ 7,821,127
Debt related property taxes	1,445,469
Tuition and Fees	2,339,701
Miscellaneous	3,701,724
	\$ 15,308,021

NOTE 4: INTERFUND TRANSACTIONS

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

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

The following provides a summary of changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Non-depreciable assets:				
Land	\$ 25,976,471	\$	\$	\$ 25,976,471
Construction in progress	87,507,424	13,439,837	(96,390,596)	4,556,665
Total non-depreciable assets:	113,483,895	13,439,837	(96,390,596)	30,533,136
Depreciable assets:				
Site and site improvements	328,068,025	95,568,806		423,636,831
Equipment	12,090,439	2,744,168	(34,154)	14,800,453
Total depreciable assets:	340,158,464	98,312,974	(34,154)	438,437,284
Less accumulated depreciation for:				
Site and site improvements	67,217,293	10,233,651		77,450,944
Equipment	10,455,143	903,637	(33,913)	11,324,867
Total accumulated depreciation	77,672,436	11,137,288	(33,913)	88,775,811
Total depreciable assets, net	262,486,028	87,175,686	(241)	349,661,473
Capital assets, net	\$ 375,969,923	\$ 100,615,523	\$ (96,390,837)	\$ 380,194,609

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Interest expense for the year ended June 30, 2016 was \$17,722,908 of which \$1,583,032 was capitalized. Interest earned on proceeds of the District's tax exempt debt used to offset capitalized interest was \$254,156.

NOTE 6: LEASES

Operating Leases

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

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2017	\$ 295,413
2018	245,034
2019	214,910
2020	195,342
Total	<u>\$ 950,699</u>

Current year expenditures for operating leases is approximately \$326,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Balance Due In One Year
Compensated absences	\$ 5,359,763	\$ 369,931		\$ 5,729,694	\$ 3,353,772
General obligation bonds (2002 election):					
Bonds payable	124,039,701		3,808,097	120,231,604	5,223,466
Accreted interest	16,019,588	2,029,009	3,821,903	14,226,694	4,116,534
Bond premium	13,061,597		1,225,053	11,836,544	
General obligation bonds (2008 election):					
Bonds payable	281,338,669		3,603,865	277,734,804	5,764,312
Accreted interest	13,435,113	4,298,550	246,103	17,487,560	415,688
Bond premium	25,885,626		920,319	24,965,307	
Other postemployment benefits other than pensions (OPEB)	5,512,334		2,748,634	2,763,700	
Net pension liability	83,252,635	19,366,039		102,618,674	
Supplemental Employee Retirement Plan (SERP)		2,342,920		2,342,920	468,584
	<u>\$ 567,905,026</u>	<u>\$ 28,406,449</u>	<u>\$ 16,373,974</u>	<u>\$ 579,937,501</u>	<u>\$ 19,342,356</u>

Liabilities for compensated absences, SERP obligations, pension liabilities, and OPEB obligations are liquidated by the governmental fund in which associated salaries are reported. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller’s office through the Bond Interest and Redemption Fund.

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

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

On May 15, 2003, the District issued, through the County of Los Angeles, General Obligation 2002 Election Series A (2003) Bonds totaling \$40 million under a bond authorization approved in a general election held in March 2002. The bonds were issued as current interest bonds and contained an interest provision ranging from 2.5 percent to 5 percent, depending on the maturity date of the bond.

On November 29, 2005 the District offered for sale \$65 million in General Obligation 2002

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

Election Series B (2005) Bonds. The bonds were issued as current interest bonds and contained an interest provision ranging from 3.75 percent to 5 percent, depending on maturity date of the bond.

On November 29, 2005, the District offered for sale \$28,224,898 in General Obligation 2002 Election Series C (2005) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of \$21,485,000 and capital appreciation bonds in the aggregate principal amount of \$6,739,898. These bonds contained an interest provision ranging from 3.75 percent to 4.73 percent depending on maturity date of the bond. These bonds were issued to refund certain outstanding general obligation bonds (Series A) of the District and to pay for certain capital improvements. The refunded bonds have been fully defeased and are not recorded on the financial statements.

The capital appreciation bonds were issued with maturity dates of May 1, 2014 through May 1, 2017. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2016, \$3,218,859 in accreted interest has been accrued and included in long-term 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 \$1,048,716. As of June 30, 2016, the entire balance has been amortized.

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

The capital appreciation bonds were issued with maturity dates of May 1, 2013 through May 1, 2025. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2016, \$11,007,835 in accreted interest has been accrued and included in long-term debt.

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

The proceeds associated with the refunding were deposited into an irrevocable escrow account

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

for future repayment. The outstanding balance of the defeased debt was redeemed by the escrow agent by May 1, 2015. The refunded bonds have been fully defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$5,501,838. Amortization of \$305,658 was recognized during the fiscal year ended June 30, 2016.

On August 5, 2014 the District offered for sale \$43.2 million in General Obligation 2002 Election, 2014 Refunding Bonds Series E of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series D). The bonds contained an interest provision ranging from 2 percent to 5 percent depending on the maturity date of the bond.

Proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt, to be paid by the escrow agent, of \$43,550,000 has an expected redemption date of May 1, 2017. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$5,420,772. Amortization of \$301,154 was recognized during the fiscal year ended June 30, 2016.

On June 9, 2015 the District offered for sale \$12.2 million in General Obligation 2002 Election, 2014 Refunding Bonds Series F of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series B). The bonds contained an interest provision ranging from 2 percent to 5 percent depending on the maturity date of the bond.

Proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt, of \$13,930,000, was paid by the escrow agent in July 2015. The refunded bonds are considered fully defeased and are not recorded on the financial statements.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The collective Bonds included total premiums of \$22,348,879. This amount will be amortized using the straight-line method. Amortization of

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

recognized during the fiscal year ended June 30, 2016.

The outstanding bonded debt of Measure E (2002) at June 30, 2016 is as follows:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2016</u>
Series A	5/15/2003	5/1/2004 to 8/1/2027	2.50-5.00%	\$ 40,000,000	\$
Series B	11/29/2005	5/1/2006 to 5/1/2030	3.75-5.00%	65,000,000	
Series C	11/29/2005	5/1/2006 to 5/1/2017	3.75-4.73%	28,224,898	1,423,937
Series D	10/24/2007	5/1/2013 to 5/1/2032	3.63-6.01%	70,999,987	24,042,667
Series A (1)	8/15/2012	5/1/2016 to 5/1/2031	3.00-5.00%	40,960,000	40,275,000
Series E (2)	8/5/2014	5/1/2015 to 5/1/2032	2.00-5.00%	43,200,000	42,430,000
Series F (3)	6/9/2015	6/1/2016 to 5/1/2030	2.00-5.00%	12,200,000	12,060,000
Total					<u>\$ 120,231,604</u>

- (1) Refunding Bonds 2012 Series A - refunded the outstanding 2003 Series A bonds and portions of the 2005 Series B bonds.
- (2) Refunding Bonds 2014 Series E - refunded portions of the 2007 Series D bonds.
- (3) Refunding Bonds 2015 Series F - refunded the outstanding 2005 Series B bonds.

The annual requirements to amortize all Measure E (2002) bonds payable, outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,223,466	\$ 4,116,534	\$ 4,256,913	\$ 13,596,913
2018	5,910,883	1,874,117	4,062,863	11,847,863
2019	5,969,949	2,065,051	3,970,963	12,005,963
2020	5,886,392	2,188,608	3,865,963	11,940,963
2021	5,944,706	2,345,294	3,747,063	12,037,063
2022-2026	33,851,208	11,288,792	16,339,065	61,479,065
2027-2031	50,445,000		7,829,285	58,274,285
2032	7,000,000		285,425	7,285,425
Total Debt Service	<u>\$ 120,231,604</u>	<u>\$ 23,878,396</u>	<u>\$ 44,357,540</u>	<u>\$ 188,467,540</u>

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

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

The capital appreciation bonds were issued with maturity dates of June 1, 2012 through June 1, 2018 and June 1, 2027 through June 1, 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal component. At June 30, 2016, \$8,722,076 in accreted interest, net of maturities, including amounts retired due to refunded bonds, has been accrued and included in long-term debt.

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

The capital appreciation bonds were issued with maturity dates of August 1, 2033 and August 1, 2034. The convertible capital appreciation bonds will convert to current interest bonds on August 1, 2032 and will mature on August 1, 2049. Prior to the applicable maturity/conversion date, each bond will accrete interest on the principal component. At June 30, 2016, \$8,765,484 in accreted interest has been accrued and included in long-term debt.

On March 11, 2014 the District offered for sale \$11,825,000 in General Obligation 2008 Election, Refunding Bonds 2014 Series C (federally taxable) of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series A). The bonds contained an interest provision ranging from 0.66 percent to 4.10 percent depending on the maturity date of the bond.

Proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt, to be paid by the escrow agent, of \$6,944,564 has an expected redemption date of June 1, 2018. The refunded bonds are considered in-substance defeased and are not recorded on the financial statement.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

debt by \$2,035,257. Amortization of \$156,558 was recognized during the fiscal year ended June 30, 2016.

On June 25, 2015 the District offered for sale \$20,345,000 in General Obligation 2008 Election, 2014 Refunding Bonds Series F of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District’s outstanding general obligation bonds (Series A). The bonds contained an interest provision ranging from 2 percent to 5 percent depending on the maturity date of the bond.

Proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayments. The outstanding balance, of the defeased debt, to be paid by the escrow agent, of \$21,245,000 has an expected redemption date of June 1, 2018. The refunded bonds are considered in-substance defeased and are not recorded on the financial statement.

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 \$2,389,360. Amortization of \$159,286 was recognized during the fiscal year ended June 30, 2016.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included total premiums of \$28,462,984, which are amortized using the straight-line method. Amortization of \$920,319 was recognized during the fiscal year ended June 30, 2016, which includes premiums recognized for the refunded portion of bonds.

The outstanding bonded debt of Measure E (2008) at June 30, 2016 is as follows:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2016</u>
Series A	7/24/2008	6/1/2012 to 6/1/2033	3.59-5.45%	\$ 48,373,981	\$ 17,471,109
Series B	12/12/2012	8/1/2013 to 8/1/2049	2.00-5.00%	237,003,695	228,233,695
Series C (1)	3/11/2014	8/1/2016 to 8/1/2026	0.66-4.100%	11,825,000	11,825,000
Series F (2)	6/25/2015	6/1/2016 to 5/1/2030	2.00-5.00%	20,345,000	20,205,000
Total					<u>\$ 277,734,804</u>

(1) Refunding Bonds 2014 Series C - refunded portions of the Series A (2008) bonds.

(2) Refunding Bonds 2015 Series F - refunded portions of the Series A (2008) bonds.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

The annual requirements to amortize all Measure E (2008) bonds payable, outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2017	\$ 5,764,312	\$ 415,688	\$ 8,802,268	\$ 14,982,268
2018	3,560,693	829,307	8,713,597	13,103,597
2019	2,755,000		8,666,955	11,421,955
2020	4,245,000		8,548,626	12,793,626
2021	5,070,000		8,368,162	13,438,162
2022-2026	37,280,000		37,672,622	74,952,622
2027-2031	41,338,887	21,051,112	28,647,250	91,037,249
2032-2036	33,350,201	20,709,799	44,472,775	98,532,775
2037-2041	63,915,000		43,543,675	107,458,675
2042-2046	49,529,528	29,830,472	27,881,619	107,241,619
2047-2050	30,926,183	46,818,816	7,599,882	85,344,881
Total Debt Service	<u>\$ 277,734,804</u>	<u>\$ 119,655,194</u>	<u>\$ 232,917,431</u>	<u>\$ 630,307,429</u>

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

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

Option A

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

Option B

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

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

Retiree Health Plan does not issue a separate financial report.

Membership of the plan consisted of the following at June 30, 2016:

<u>Participant Type:</u>	<u>Number of Participants</u>
Retirees and beneficiaries receiving benefits	257
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	743
Total	<u>1,000</u>

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District incurs 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For the year ended June 30, 2016, the District contributed \$7,921,700 to the plan.

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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Balance June 30, 2016</u>
Annual required contribution	\$ 5,153,982
Interest on net OPEB obligation	247,361
Adjustment to annual required contribution	<u>(228,277)</u>
Annual OPEB cost	5,173,066
Contributions made	<u>(7,921,700)</u>
Change in net OPEB obligation	(2,748,634)
Net OPEB obligation - beginning of year	<u>5,512,334</u>
Net OPEB obligation - end of year	<u>\$ 2,763,700</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the fiscal year ended 2016 and the previous two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 2,798,076	84.1%	\$ 5,084,893
6/30/2015	2,801,297	83.4%	5,512,334
6/30/2016	5,173,066	153.1%	2,763,700

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$46,199,459 and the unfunded actuarial accrued liability (UAAL) was \$44,396,382. The covered payroll (annual payroll of active employees covered by the plan) was \$66,808,209, and the ratio of the UAAL to the covered payroll was 66.45%. The District has established an irrevocable trust to mitigate the unfunded liability. For the fiscal year ended June 30, 2016, the District made contributions of \$5,084,524 to the Retiree Benefit Trust. The ending reserve balance in the Retiree Benefits Trust totaled \$7,091,117 at June 30, 2016. Additionally, the District maintains a retiree benefits fund to designate resources for retiree health care costs. Assigned resources in the fund totaled \$16,970,569 at June 30, 2016.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts 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.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the most recent actuarial valuation performed, the entry age normal cost method was used. The actuarial assumptions included a 4.9 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using the asset values provided by the District and used a 5 year smoothing formula and a 20% corridor around market value. The initial UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period will expire on June 30, 2038. The remaining UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30 year amortization period.

NOTE 11: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees and former Auxiliary employees are members of the California Public Employees' Retirement System (CalPERS).

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Pension Plan				
CalSTRS - STRP	\$ 61,264,840	\$ 6,961,967	\$ 6,017,830	\$ 7,720,106
CalPERS - Schools Pool Plan	39,149,702	6,462,662	4,641,534	3,821,772
CalPERS - Miscellaneous Employer Plan (Auxiliary)	2,204,132	635,174	493,639	73,422
Total	<u>\$ 102,618,674</u>	<u>\$ 14,059,803</u>	<u>\$ 11,153,003</u>	<u>\$ 11,615,300</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

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

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

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$5,089,273.

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

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

	Balance June 30, 2016
<u>Proportionate Share of Net Pension Liability</u>	
District proportionate share of net pension liability	\$ 61,264,840
State's proportionate share of the net pension liability associated with the District	32,402,260
Total	<u>\$ 93,667,100</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0910%.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2016, the District recognized pension expense of \$7,720,106, including on-behalf expense and revenue of \$2,662,340 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Deferred Outflows and Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,089,273	\$
Difference between expected and actual experience		1,023,750
Difference in proportion	1,872,694	
Net differences between projected and actual earnings on plan investments		4,994,080
Total	\$ 6,961,967	\$ 6,017,830

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amounts will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ (1,107,029)
2018	(1,107,029)
2019	(1,107,029)
2020	(1,107,029)
2021	141,491
2022	141,489
Total	\$ (4,145,136)

Actuarial Methods and Assumptions

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

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
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%

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

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 an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 92,505,140
Current discount rate (7.60%)	61,264,840
1% increase (8.60%)	35,301,630

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

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

Provisions and Benefits	CalPERS - Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$3,646,749.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$39,149,702. The net pension liability was measured as of June 30, 2015. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 and rolling forward the total pension liability to June 30, 2015. The 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 0.2656%.

For the year ended June 30, 2016, the District recognized pension expense of \$3,821,772. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 3,646,749	\$
Difference between expected and actual experience	2,237,463	
Changes of assumptions		2,405,467
Difference in proportion	578,450	895,548
Net differences between projected and actual earnings on plan investments		1,340,519
Total	\$ 6,462,662	\$ 4,641,534

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amounts will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ (1,312,475)
2018	(1,265,339)
2019	(855,289)
2020	1,607,482
Total	\$ (1,825,621)

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

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:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 63,719,400
Current discount rate (7.65%)	39,149,702
1% increase (8.65%)	18,718,354

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS) – Miscellaneous Employer Plan (Auxiliary)

Plan Description

Qualified former employees of the Auxiliary are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer 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 Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The Auxiliary sponsors one Miscellaneous Risk Pool plan (the Plan). 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

The Plan 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 employment-related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. 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 COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

This plan is closed to new entrants and the Auxiliary has been outsourced, so there are no longer any employees. Additionally, there were no employees hired on or after January 1, 2013. The Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits Plan	CalPERS-Miscellaneous Employer Pool		
	First Tier	Second Tier	PEPRA Misc
		June 26, 2011-	
	On or Before	December 31,	On or after
Hire date	June 25, 2011	2012	January 1, 2013
Benefit formula	2% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Required employee contribution rate	5.000%	7.000%	6.250%
Required employer contribution rate	10.003%	6.709%	6.237%

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 annually 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 Auxiliary is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total Auxiliary contributions were \$420,701.

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

As of June 30, 2016, the Auxiliary reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$2,204,132. The net pension liability was measured as of June 30, 2015. The Auxiliary's proportion of the net pension liability was based on a projection of the Auxiliary's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Auxiliary's proportion was 0.0803%.

For the year ended June 30, 2016, the Auxiliary recognized pension expense of \$73,422. At June 30, 2016, the Auxiliary reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 420,701	\$
Difference between expected and actual experience	16,097	
Changes of assumptions		152,296
Difference in proportion	198,376	
Net differences between projected and actual earnings on plan investments		76,348
Differences between contributions and proportionate share of contributions		264,995
Total	<u>\$ 635,174</u>	<u>\$ 493,639</u>

The deferred outflows of resources related to pensions resulting from Auxiliary contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ (113,377)
2018	(93,326)
2019	(53,376)
2020	(19,087)
Total	<u>\$ (279,166)</u>

Actuarial Methods and Assumptions

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

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

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvement using Scale BB published by

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

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 Plan's asset classes, expected compound (geometric) 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 the Plan. 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 long-term expected real rate of return by asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.25%
Global debt securities	19%	0.99%
Inflation assets	6%	0.45%
Private equity	10%	6.83%
Real estate	10%	4.50%
Infrastructure and forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 Plan'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 Auxiliary'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:

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 11: EMPLOYEE RETIREMENT PLANS

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 3,696,483
Current discount rate (7.65%)	2,204,132
1% increase (8.65%)	972,023

Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk 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.

Accumulation Program for Part-time and Limited Service Employees Plan (APPLE)

Plan Description

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

Funding Policy

The District does not contribute any percentage based on the employee's gross earnings. An employee is required to contribute 7.5% of his or her gross earnings to the pension plan. Total contributions were made by the employees in the amount of \$466,588 during the fiscal year. The total amount of covered compensation was \$6,030,352. Contributions made by the employee vest immediately.

NOTE 12: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

In 2015-16 the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty employees. A total of 31 faculty employees participated in the plan. The total cost savings to the District is approximately \$2.9 million. The District will pay benefits of \$468,584 annually through 2021-22. The total liability of \$2,342,920 has been reflected in these financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 13: INTERNAL SERVICE 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. The District has established an Internal Service Fund to account for and finance its risks of loss related to property and liability. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$10,000 for each general/professional liability claim, \$25,000 for each cyber liability claim and \$5,000 for each property damage claim. The District participates in two JPAs to provide excess insurance coverage above the member retained limits for general/professional liability, cyber liability and property liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year property general/professional and cyber liability claims. Funding is provided by transfers from the General Fund. Claims paid within the member retained limit during the fiscal year ended June 30, 2016 totaled \$1,223,819.

Prior to July 1, 2003, the District was self-insured for risks of loss related to workers' compensation. Under this program, the District provided funding ranging from \$100,000 up to a maximum of \$500,000, based on the claim year, for each workers' compensation claim. The District purchased commercial insurance and/or participated in a JPA to provide coverage for claims above the self-insured retention level to the statutory limit of \$1 million. Settled claims have not exceeded this additional coverage in any of the past three fiscal years.

Effective July 1, 2003, the District participates in a JPA that provides first-dollar coverage for risk of loss related to workers' compensation. The District continues to pay for run-off claims related to years prior to July 1, 2003. Run-off claims payment activity is reported in the District's General Fund. Run-off claims paid during the fiscal year ended June 30, 2016 totaled \$38,265.

Claims Liability

At June 30, 2016, the District accrued the workers' compensation claims liability for run-off claims in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The amount of future liability is estimated at \$719,530. Changes in the reported liability are shown below:

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 13: INTERNAL SERVICE FUNDS

<u>Reported Liability</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Worker's compensation	\$ 719,530	\$ 38,265	\$ (38,265)	\$ 719,530

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

NOTE 14: JOINT POWERS AGREEMENTS

The District participates in four Joint Powers Agreements (JPA) entities: Protective Insurance Program for Schools (PIPS), School's Association for Excess Risk (SAFER), Statewide Educational Wrap-up Program (SEWUP), and the Statewide Association of Community Colleges (SWACC).

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

SAFER provides excess insurance coverage for liability losses from \$1,000,000 to \$50,000,000 and \$5,000,000 to \$250,000,000 for excess property coverage.

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 14: JOINT POWERS AGREEMENTS

participation in the JPA.

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

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

	PIPS 6/30/2016 (Audited)	SAFER 6/30/2016 (Audited)	SEWUP 6/30/2016 (Audited)	SWACC 6/30/2016 (Audited)
Total assets	\$ 117,633,714	\$ 23,297,652	\$ 19,667,238	\$ 53,650,572
Total liabilities	<u>104,282,740</u>	<u>21,155,886</u>	<u>17,692,105</u>	<u>25,243,178</u>
Net position	<u>\$ 13,350,974</u>	<u>\$ 2,141,766</u>	<u>\$ 1,975,133</u>	<u>\$ 28,407,394</u>
Total revenues	\$ 265,453,036	\$ 56,004,631	\$ 12,070,813	\$ 19,541,575
Total expenditures	<u>262,540,194</u>	<u>55,390,780</u>	<u>11,938,830</u>	<u>21,650,874</u>
Changes in net position	<u>\$ 2,912,842</u>	<u>\$ 613,851</u>	<u>\$ 131,983</u>	<u>\$ (2,109,299)</u>

NOTE 15: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the Statement of Revenues, Expenses and Changes in Net Position. A schedule of expenses by function is shown below:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Financial Aid	Depreciation	Total
Instructional	\$48,018,679	\$ 17,884,257	\$ 1,833,867	\$	\$	\$ 67,736,803
Academic Support	8,140,066	2,890,697	1,862,147	368,120		13,261,030
Student Services	13,007,020	4,692,358	1,474,009	644,542		19,817,929
Operation & Maintenance of Plant	4,256,808	1,954,064	3,308,487			9,519,359
Institutional Support	10,291,681	8,883,936	8,661,700			27,837,317
Community Services and Economic Development	2,732,124	975,663	8,594,077			12,301,864
Ancillary Services and Auxiliary Operations	2,763,176	1,343,257	1,498,821	7,058		5,612,312
Student Aid				42,702,960		42,702,960
Other Outgo	519,118	223,941	14,497,161	10,738		15,250,958
Depreciation Expense					<u>11,137,288</u>	<u>11,137,288</u>
Total	<u>\$89,728,672</u>	<u>\$ 38,848,173</u>	<u>\$ 41,730,269</u>	<u>\$ 43,733,418</u>	<u>\$11,137,288</u>	<u>\$ 225,177,820</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 16: COMMITMENTS AND CONTINGENCIES

Litigation

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

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.

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$12.2 million. Projects will be funded through bond proceeds, state funds and general funds.

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

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

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

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.

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

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

NOTE 18: SUBSEQUENT EVENTS

General Obligation Bonds - Measure E (2008)

The District sold \$3.21 million in General Obligation Bonds, Measure E (2008), Series D on

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 18: SUBSEQUENT EVENTS

September 7, 2016. The bonds were sold with interest rates ranging from 1.046% to 1.269%. The bonds have a final maturity of August 1, 2019. The bonds were sold for construction, acquisition, furnishing and equipping of District facilities.

General Obligation Bonds - Measure LB (2016)

On June 7, 2016, \$850 million in General Obligation Bonds were authorized by an election held within Long Beach Community College District under Proposition 39/Measure LB. Proceeds from the sale of the bonds will be used to finance building/upgrading classrooms/laboratories, for health services, small businesses, police, firefighting, technology/other careers; improving deteriorating gas/electrical/sewer lines/leaky roofs, earthquake safety, security and repairing/constructing/acquiring facilities, fields and equipment.

The District sold \$81.79 million in General Obligation Bonds, Measure LB (2016), Series A and B on September 7, 2016. The bonds were sold with interest rates ranging from 0.93% to 4.0%. The bonds have a final maturity of August 1, 2036. The bonds were sold to improve old, outdated classrooms and upgrade science, engineering and technology labs to better prepare students for college transfer and career training.

REQUIRED SUPPLEMENTARY INFORMATION

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

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.0880%	0.0910%
District's proportionate share of the net pension liability (asset)	\$ 51,424,560	\$ 61,264,840
State's proportionate share of the net pension liability (asset) associated with the District	<u>31,052,681</u>	<u>32,402,260</u>
Total	<u>\$ 82,477,241</u>	<u>\$ 93,667,100</u>
District's covered-employee payroll	\$37.4 million	\$37.3 million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	137.64%	164.17%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.02%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.2605%	0.2656%
District's proportionate share of the net pension liability (asset)	<u>\$ 29,573,093</u>	<u>\$ 39,149,702</u>
District's covered-employee payroll	\$27.5 million	\$29.9 million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.53%	131.00%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%
<u>California Public Employees' Retirement System - Miscellaneous Employer Plan (Auxiliary)</u>	<u>2015</u>	<u>2016</u>
Auxiliary's proportion of the net pension liability (assets)	0.3624%	0.0803%
Auxiliary's proportionate share of the net pension liability (asset)	<u>\$ 2,254,982</u>	<u>\$ 2,204,132</u>
Auxiliary's covered-employee payroll (1)	\$ -	\$ -
Auxiliary's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	76.50%	79.89%

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.

(1) The Auxiliary plan is a closed plan to new entrants with no ongoing payroll.

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016
Contractually required contribution	\$ 3,309,638	\$ 5,089,273
Contributions in relation to the contractually required contribution	<u>3,309,638</u>	<u>5,089,273</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$37.3 million	 \$47.4 million
 Contributions as a percentage of covered-employee payroll	 8.88%	 10.73%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016
Contractually required contribution	\$ 3,517,765	\$ 3,646,749
Contributions in relation to the contractually required contribution	<u>3,517,765</u>	<u>3,646,749</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$29.9 million	 \$30.8 million
 Contributions as a percentage of covered-employee payroll	 11.77%	 11.85%
California Public Employees' Retirement System - Miscellaneous Employer Plan (Auxiliary)	2015	2016
Auxiliary contractually required contribution	\$ 534	\$ -
Auxiliary contributions in relation to the contractually required contribution (1)	<u>407,658</u>	<u>420,701</u>
Auxiliary contribution deficiency (excess)	<u>\$ (407,124)</u>	<u>\$ (420,701)</u>
 Auxiliary's covered-employee payroll (2)	 n/a	 n/a
 Auxiliary contributions as a percentage of covered-employee payroll	 0.00%	 0.00%

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

(1) Actual contributions were based on billings submitted by CalPERS to the Auxiliary.

(2) The Auxiliary plan is a closed plan to new entrants with no ongoing payroll.

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Cost Method)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/1/2011	\$ 1,246,469	\$ 30,703,602	\$ 29,457,133	4.06%	\$ 58,365,525	50.47%
9/1/2013	1,602,712	28,344,282	26,741,570	5.65%	56,347,307	47.46%
7/1/2015	1,803,077	46,199,459	44,396,382	3.90%	66,808,209	66.45%

In May 2006, the District established an irrevocable trust for investment and disbursement of funds for the payment of its obligation to eligible employees. At June 30, 2016, the balance in the trust was \$7,091,117 from District contributions net of trust activities. In addition, the District maintains a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2016, the fund's committed balance was \$16,970,569.

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 2,761,417	85.2%
2015	2,761,417	84.6%
2016	5,153,982	153.7%

See the accompanying notes to the required supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS – STRP, CalPERS – Schools Pool Plan and CalPERS – Miscellaneous Employer Plan (Auxiliary)

The schedules present 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.

Schedule of District Contributions – CalSTRS – STRP, CalPERS – Schools Pool Plan and CalPERS – Miscellaneous Employer Plan (Auxiliary)

The schedules present 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

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.

Schedule of Postemployment Healthcare Employer Contributions

The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

Long Beach Community College District is a comprehensive California college located in the southern part of Los Angeles County covering an urban area of approximately 128 square miles, serving approximately 25,000 students at two distinct but highly inter-related campuses, the Liberal Arts Campus and the Pacific Coast Campus. To serve its community, Long Beach Community College District offers a comprehensive set of education programs and support services in response to student and community needs and plays a key role in transfer preparation, workforce development, basic skills, associate degrees, and economic development.

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

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Douglas W. Otto	President	July 2016
Ms. Irma Archuleta *	Vice President	July 2016
Mr. Jeffrey A. Kellogg	Member	July 2018
Dr. Virginia L. Baxter	Member	July 2018
Ms. Sunny Zia	Member	July 2018
Mr. Alejandro Lomeli	Student Trustee	May 2017

DISTRICT ADMINISTRATORS

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

*Effective July 2016, Vivian Malauulu was elected to the Board of Trustees

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

Program Name	Federal Catalog Number	Pass- Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Student Financial Aid Cluster			
Department of Education			
Direct:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	n/a	\$ 691,400
Administrative Allowance - Campus Based Programs	84.000	n/a	73,168
Federal Work Study (FWS)	84.033	n/a	642,238
Administrative Allowance - Pell	84.063	n/a	4,370
Pell Grant	84.063	n/a	35,630,738
William D. Ford Direct Loan Program	84.268	n/a	<u>2,996,949</u>
Total Student Financial Aid Cluster			<u>40,038,863</u>
TRIO Cluster			
Department of Education			
Direct:			
Student Support Services-Project Launch	84.042A	n/a	66,277
Student Support Services-Project Go	84.042A	n/a	219,388
Upward Bound	84.047A	n/a	<u>563,712</u>
Total TRIO Cluster			<u>849,377</u>
Department of Agriculture			
Direct:			
Child Nutrition Program	10.558	n/a	<u>69,389</u>
Department of Labor			
Direct:			
Trade Adjustment Assistance Community College Career Training (TAACCCT) - Alternative Pathways to Engineering Education and Careers	17.282	n/a	<u>1,253,208</u>
Department of Transportation			
Direct:			
Commercial Motor Vehicle Operator Training Grant	20.235	n/a	<u>21,607</u>
U.S. Small Business Administration			
Direct:			
Small Business Development Center (SBDC)	59.037	n/a	<u>3,428,903</u>
Department of Veterans Affairs			
Direct:			
Post 9/11 Veteran Education Assistant - GI Bill Chapter 33	64.028	n/a	<u>104,674</u>

See the accompanying notes to the supplementary information.

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

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
Department of Education			
Pass-Through Program from the California Community College Chancellor's Office:			
Career Technical Education:			
Perkins Title I-C (Basic Grants to States)	84.048	(1)	806,923
Career Technical Education Transitions	84.048A	(1)	45,119
Total Department of Education			<u>852,042</u>
Department of Health and Human Services			
Pass-Through Program from the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	113,428
Foster Care - Title IV - E	93.658	(1)	81,330
Total Department of Health and Human Services			<u>194,758</u>
Corporation for National and Community Service (CNCS)			
Direct:			
AmeriCorps National Service Awards	94.006	n/a	42,250
Total Federal Grants			<u>\$ 46,855,071</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Long Beach Community College District had the following loan balance outstanding as of 6/30/16:			
Perkins Program	84.038	n/a	<u>\$ 308,902</u>
Small Business Development Center			
<u>Amount Provided to Subrecipients</u>			
Small Business Development Center (SBDC)	59.037	n/a	
- Economic Development Collaboration - Ventura			\$ 404,185
- El Camino Community College District			297,447
- Los Angeles Chamber of Commerce			195,645
- Pacific Coast Regional Small Business Development Corporation			231,690
- Pasadena Community College District			133,703
- Santa Clarita Community College District			335,777
- University of La Verne			170,877
			<u>\$ 1,769,324</u>

Note: (1) Pass-through entity identifying number not readily available.
n/a Pass-through entity identifying number not applicable.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2016

Program Name	Cash Received	Unearned Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:					
Access to Print and Electronic Info	\$ 14,541	\$	\$	\$ 14,541	\$ 14,541
Adult Education	1,076,263	1,021,862		54,401	54,401
Basic Skills	692,623	240,964		451,659	451,659
Board Financial Assistance Program - Student Financial Aid Administration (BFAP - SFAA)	937,356			937,356	937,356
CalWORKS	531,248		20,762	510,486	510,486
Childcare Taxbailout	53,897			53,897	53,897
Cooperative Agencies Resources for Education (CARE)	271,433		20,160	251,273	251,273
Deaf and Hard of Hearing	283,488			283,488	283,488
Disabled Student Program and Services (DSPS)	1,358,988			1,358,988	1,358,988
Equal Employment Opportunity	8,655			8,655	8,655
Extended Opportunities Program and Services (EOPS)	1,745,996			1,745,996	1,745,996
Full Time Student Success Grant	631,026		70,502	560,524	560,524
Instructional Equipment and Library	1,322,394	867,965		454,429	454,429
Nursing Education	120,612	19,789		100,823	100,823
Part-Time Faculty Compensation	422,202			422,202	422,202
Student Equity	2,114,793			2,114,793	2,114,793
Student Success and Support Program (SSSP) - Credit	4,314,489	886,275		3,428,214	3,428,214
Student Success and Support Program (SSSP) - Non-Credit	132,185			132,185	132,185
Total State Programs	<u>\$ 16,032,189</u>	<u>\$ 3,036,855</u>	<u>\$ 111,424</u>	<u>\$ 12,883,910</u>	<u>\$ 12,883,910</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2016**

	Annual - Factored FTES		
	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit ¹	77.53		77.53
2. Credit	178.33		178.33
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit ¹	-		-
2. Credit	-		-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,846.80		14,846.80
(b) Daily Census Contact Hours	1,240.81		1,240.81
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	377.18		377.18
(b) Credit	488.04		488.04
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,267.95		1,267.95
(b) Daily Census Contact Hours	600.69		600.69
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	19,077.33	-	19,077.33
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	n/a		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	445.82		
(b) Credit	1,290.60		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	389.99		
Centers FTES			
Noncredit	394.34		
Credit	3,679.02		

¹ Including Career Development and College Preparation (CDCP) FTES

n/a - Workload Measure is not applicable

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

The audit resulted in no adjustments to the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles.

In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

	Governmental Funds
Unrestricted General Fund Balance	\$ 28,295,188
Restricted General Fund Balance	4,038,335
Bond Interest and Redemption Fund Balance	11,325,765
Revenue Bond Construction Fund Balance (2008 and 2016 Election)	19,982,329
Capital Outlay Projects Fund Balance	22,802,714
Child Development Fund Balance	963,473
Other Special Revenue Funds Balance (Veteran's Stadium Operation and Contract/Community Education)	1,992,615
Other Trust Fund Balance (Retiree Benefits)	24,061,686
Student Financial Aid and Trust Fund Balance	121,523
Self Insurance Fund Balance	<u>2,707,926</u>
 Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	 116,291,554
 Auxiliary (not reported on CCFS-311)	 <u>2,734,143</u>
 Total Ending Fund Balances	 <u>\$ 119,025,697</u>

See the accompanying notes to the supplementary information.

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

Annual Financial and Budget Report (CCFS-311)	\$ 119,025,697
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net position. Net capital assets of \$9,555, are already reported in the Auxiliary Fund.	380,185,054
Deferred outflows associated with the advanced refunding of debt increases total net position reported.	12,893,330
Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	14,059,803
Compensated absences and load banking are not generally due and payable in the current period, and therefore are not reported in the governmental funds. However, compensated absences of \$182,922 are reported in the Unrestricted General Fund.	(5,546,772)
Interest expense related to bonds incurred through June 30, 2016 is recorded under the full accrual basis of accounting. This liability is added to the statement of net position, which reduces the total net position reported.	(3,888,055)
Estimated claims liability for self-insured risk of loss is not accrued in the governmental funds.	(719,530)
Amounts for 2015-16 property taxes levied for debt service but not received as of June 30, 2016 increase the total net position reported.	1,445,469
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(102,618,674)
Short-term and long-term liabilities for the supplemental employee retirement plan liability is not due and payable in the current period, and therefore is not reported as a liability in the governmental funds.	(2,342,920)
Short-term and long-term liabilities for bonds are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Short-term and long-term liabilities are added to the statement of net position which reduces the total net position recorded.	(466,482,513)
Deferred inflows of resources associated with pensions result from actuarially determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(11,153,003)
The liability associated with other postemployment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(2,763,700)
Reduction for postemployment retirement benefits (OPEB) for amounts held in an irrevocable trust and reported in the fiduciary statements.	<u>(7,091,117)</u>
Total net position	<u>\$ (74,996,931)</u>

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2016**

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>						
Instructional Salaries - Contract or Regular	1100	26,477,283		26,477,283	26,477,283	26,477,283
Instructional Salaries - Other	1300	15,447,979		15,447,979	15,447,979	15,447,979
Total Instructional Salaries		41,925,262	-	41,925,262	41,925,262	41,925,262
Non-Instructional Salaries - Contract or Regular	1200			-	8,065,018	8,065,018
Non-Instructional Salaries - Other	1400				1,117,705	1,117,705
Total Non-Instructional Salaries		-	-	-	9,182,723	9,182,723
Total Academic Salaries		41,925,262	-	41,925,262	51,107,985	51,107,985
<u>Classified Salaries</u>						
Non-Instructional Salaries - Regular Status	2100				19,976,349	19,976,349
Non-Instructional Salaries - Other	2300				999,039	999,039
Total Non-Instructional Salaries		-	-	-	20,975,388	20,975,388
Instructional Aides - Regular Status	2200	2,332,267		2,332,267	2,332,267	2,332,267
Instructional Aides - Other	2400	552,733		552,733	552,733	552,733
Total Instructional Aides		2,885,000	-	2,885,000	2,885,000	2,885,000
Total Classified Salaries		2,885,000	-	2,885,000	23,860,388	23,860,388
Employee Benefits	3000	17,772,506		17,772,506	32,342,322	32,342,322
Supplies and Materials	4000				801,022	801,022
Other Operating Expenses	5000				8,726,351	8,726,351
Equipment Replacement	6420				-	-
Total Expenditures Prior to Exclusions		62,582,768	-	62,582,768	116,838,068	116,838,068
<u>Exclusions</u>						
<u>Activities to Exclude</u>						
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	554,484		554,484	554,484	554,484
Student Health Services Above Amount Collected	6441				-	-
Student Transportation	6491				-	-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740				387,875	387,875
<u>Objects to Exclude</u>						
Rents and Leases	5060				33,203	33,203
Lottery Expenditures						
Academic Salaries	1000				-	-
Classified Salaries	2000				-	-
Employee Benefits	3000				-	-
Software	4100				-	-
Books, Magazines, & Periodicals	4200				-	-
Instructional Supplies & Materials	4300				-	-
Noninstructional, Supplies & Materials	4400				-	-
Other Operating Expenses and Services	5000				3,138,294	3,138,294
Capital Outlay	6000				-	-
Library Books	6300				-	-
Equipment - Additional	6410				-	-
Equipment - Replacement	6420				-	-
Other Outgo	7000				-	-
Total Exclusions		554,484	-	554,484	4,113,856	4,113,856
Total for ECS 84362, 50% Law		62,028,284	-	62,028,284	112,724,212	112,724,212
Percent of CEE (Instructional Salary Cost/Total CEE)		55.03%	0%	55.03%	100%	0%
50% of Current Expense of Education					56,362,106	56,362,106

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2016**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 17,567,521
Activity Classification	Activity Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 - 5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 17,567,521	\$	\$	\$ 17,567,521
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		\$ 17,567,521	\$ -	\$ -	17,567,521
Revenues less Expenditures					-
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
<u>Combined General Fund:</u>				
<u>Revenue</u>				
Federal	\$ 7,989,846	\$ 7,497,620	\$ 7,854,503	\$ 7,679,535
State	128,155,088	117,958,362	98,007,610	90,534,593
County, local and other	37,110,945	40,300,463	29,843,693	27,224,974
Total Revenue	<u>173,255,879</u>	<u>165,756,445</u>	<u>135,705,806</u>	<u>125,439,102</u>
<u>Expenditures</u>				
Academic salaries	54,470,255	54,712,690	48,201,663	43,521,328
Classified salaries	36,533,938	32,485,893	30,531,896	28,421,570
Employee benefits	39,131,230	36,225,614	27,398,840	24,721,330
Supplies and materials	4,562,390	2,143,810	1,747,386	1,615,542
Other operating expenses and services	41,520,616	19,955,980	16,936,428	16,176,827
Capital outlay	4,493,499	5,972,552	2,753,457	3,776,531
Other uses	2,923,332	10,880,720	3,267,418	3,009,033
Total Expenditures	<u>183,635,260</u>	<u>162,377,259</u>	<u>130,837,088</u>	<u>121,242,161</u>
Change in fund balance	<u>\$ (10,379,381)</u>	<u>\$ 3,379,186</u>	<u>\$ 4,868,718</u>	<u>\$ 4,196,941</u>
Ending fund balance	<u>\$ 21,954,142</u>	<u>\$ 32,333,523</u>	<u>\$ 28,954,337</u>	<u>\$ 24,085,619</u>
Available reserve	<u>\$ 11,852,918</u>	<u>\$ 19,392,060</u>	<u>\$ 17,923,034</u>	<u>\$ 14,633,658</u>
Available reserve %	6%	12%	13.7%	12.1%
Full-time equivalent students	<u>20,775</u>	<u>19,077</u>	<u>20,775</u>	<u>19,910</u>
Total long term debt	<u>\$ 608,793,294</u>	<u>\$ 543,135,650</u>	<u>\$ 567,905,026</u>	<u>\$ 483,007,330</u>

IMPORTANT NOTES:

The California Community College Chancellor's Office has provided guidelines that recommend a minimum prudent ending fund balance reserve of 5% of unrestricted expenditures. In addition, the District's Board policy requires a 5.5% unrestricted ending fund balance. In accordance with the Chancellor's Office's Institutional Effectiveness Partnership Initiative (IEPI), the District has established minimum reserve goals in addition to the reserve policy. The short-term reserve goal is 12.5% and the long-term reserve goal is 15.0%.

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

The 2017 budget is the Plan and Budget adopted by the Board of Trustees on September 13, 2016.

Long-term debt is reported for the District as a whole and includes debt related to all funds. Long-term debt excludes unamortized premium on bonded debt.

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

	<u>Combined General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 961,508	\$ 708,516	\$ (252,992)
Temporary Assistance for Needy Families (TANF)	119,344	113,428	(5,916)
Veterans Education	150,000	104,674	(45,326)
Vocational and Technical Education Act	852,042	852,042	-
Other Federal Revenue	6,174,167	5,718,960	(455,207)
Revenue from State Sources			
General Apportionments	85,897,618	81,024,404	(4,873,214)
Categorical Apportionments	8,591,463	12,810,231	4,218,768
Other State Revenues	37,231,786	24,123,727	(13,108,059)
Revenue from Local Sources			
Property Taxes	18,918,610	26,634,525	7,715,915
Interest and Investment Income	250,000	313,084	63,084
Student Fees and Charges	7,134,488	7,353,816	219,328
Other Local Revenue	9,066,605	5,671,980	(3,394,625)
TOTAL REVENUES	<u>175,347,631</u>	<u>165,429,387</u>	<u>(9,918,244)</u>
EXPENDITURES			
Academic Salaries	55,403,939	54,712,690	691,249
Classified Salaries	36,469,661	32,485,893	3,983,768
Employee Benefits	36,266,315	36,225,614	40,701
Supplies and Materials	4,346,043	2,143,810	2,202,233
Other Operating Expenses and Services	38,366,511	19,955,980	18,410,531
Capital Outlay	8,440,660	5,972,552	2,468,108
TOTAL EXPENDITURES	<u>179,293,129</u>	<u>151,496,539</u>	<u>27,796,590</u>
Excess of revenues over expenditures	<u>(3,945,498)</u>	<u>13,932,848</u>	<u>17,878,346</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	323,731	327,058	3,327
Interfund Transfers Out	(9,798,551)	(9,745,589)	52,962
Student Financial Aid	(1,343,420)	(1,135,131)	208,289
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,818,240)</u>	<u>(10,553,662)</u>	<u>264,578</u>
Excess (deficiencies) of revenues over expenditures and other sources (uses)	<u>\$ (14,763,738)</u>	3,379,186	<u>\$ 18,142,924</u>
Fund Balances, beginning of year		<u>28,954,337</u>	
Fund Balance, end of year		<u>\$ 32,333,523</u>	

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

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

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District uses an indirect cost rate, approved by the U.S. Department of Health and Human Services, as allowed under the Uniform Guidance.

Schedule of State Financial Assistance - Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311). This schedule shows a reconciliation between the governmental fund balances reported on the June 30, 2016 Annual Financial and budget Report (CCFS-311), based on the modified accrual basis of accounting and the total net position reported based on the full accrual basis of accounting.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

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

Proposition 30 Education Protection Account Expenditure Report

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

Schedule of Financial Trends and Analysis

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

Schedule of Budgetary Comparison for the Combined General Fund

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

OTHER INDEPENDENT AUDITOR'S REPORT

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the basic financial statements of the Long Beach Community College District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

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

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.

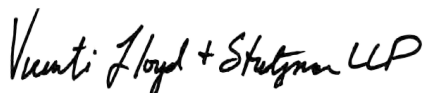
**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Long Beach Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Purpose of this Report

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

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Long Beach Community College District
Long Beach, California

We have audited the Long Beach Community College District's (the District) compliance with the types of compliance requirements described in the *2015-16 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the *2015-16 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

In connection with 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:

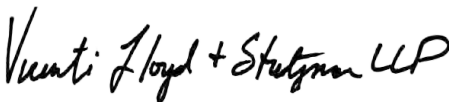
<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Not applicable
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Concurrent Enrollment of K-12 Students in Community College Credit Courses	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
438	Student Fees – Health Fees and Use of Health Fee Funds	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Proposition 30 Education Protection Account Funds	Yes

Opinion on State Compliance

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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-16 Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 1, 2016

FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	_____	<i>Yes</i>	_____	<input checked="" type="checkbox"/>	<i>No</i>
Significant deficiency(ies) identified?	_____	<i>Yes</i>	_____	<input checked="" type="checkbox"/>	<i>None Reported</i>
Noncompliance material to financial statements noted?	_____	<i>Yes</i>	_____	<input checked="" type="checkbox"/>	<i>No</i>

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	_____	<i>Yes</i>	_____	<input checked="" type="checkbox"/>	<i>No</i>
Significant deficiency(ies) identified?	_____	<i>Yes</i>	_____	<input checked="" type="checkbox"/>	<i>None Reported</i>

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

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

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.000, 84.033, 84.063, 84.268, 84.038	Student Financial Aid Cluster
59.037	Small Business Development Center (SBDC)

Dollar threshold used to distinguish between type A and type B programs: \$1,405,652

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

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

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

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

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2016

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

CONTINUING DISCLOSURE INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2016

Assessed valuation for fiscal year 2015-16	\$54,296,306,938	(2)
Secured tax levies for fiscal year 2015-16	\$11,121,650	(1)
Secured tax delinquencies for fiscal year 2015-16	\$361,731	(1)
Secured tax collections for fiscal year 2015-16	\$10,759,919	(1)

2015-16 Largest Local Secured Taxpayers (2)

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Assessed Valuation</u>	<u>% of Total⁽³⁾</u>
1. Participants in Long Beach Unit	Industrial – Petroleum	\$2,213,489,794	4.08%
2. Hanjin America Inc.	Industrial – Terminal Operations	725,055,748	1.34
3. Tidelands Oil Production Co.	Industrial – Petroleum	614,479,030	1.13
4. International Trans Service Inc.	Industrial – Terminal Operations	361,766,284	0.67
5. Macerich Lakewood LLC	Shopping Center	331,713,447	0.61
6. Pacific Maritime Services LLC	Industrial – Terminal Operations	297,800,000	0.55
7. Tesoro Logistics Operations LLC	Industrial – Petroleum	292,807,888	0.54
8. The Boeing Company	Industrial	285,974,297	0.53
9. OOCL LLC	Industrial – Terminal Operations	271,613,230	0.50
10. Signal Hill Petroleum	Industrial – Petroleum	214,160,279	0.39
11. SSAT Long Beach LLC	Industrial – Terminal Operations	193,035,149	0.36
12. Legacy Partners II LB World Trade LLC	Office Building	165,989,932	0.31
13. Massachusetts Mutual Life Insurance	Shopping Center	161,115,296	0.30
14. Kilroy Realty LP	Office Building	149,919,169	0.28
15. 2009 CUSA Community Owner LLC	Apartments	146,873,573	0.27
16. John Hancock Insurance	Apartments	138,207,290	0.25
17. AGNL Clinic LP	Apartments	137,939,241	0.25
18. Terra Funding Shoreline Square	Apartments	101,367,517	0.19
19. Noble Utah Long Beach LLC	Hotel	98,381,530	0.18
20. Total Terminals Intl LLC	Industrial – Terminal Operations	93,124,590	0.17
		<u>\$6,994,813,284</u>	<u>12.88%</u>

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

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

(3) % of total assessed valuation for the fiscal year 2015-16 of \$54,296,306,938