LONG BEACH COMMUNITY COLLEGE DISTRICT
LOS ANGELES COUNTY

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

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INDEPENDENT AUDITORS' 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 business-type activities and the fiduciary activities of the Long Beach Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 opinions on the effectiveness of the entity's internal control. Accordingly, we express no such opinions. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT

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

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

Opinions

In our opinions, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* As a result of the implementation of this standard, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported, prospectively. Our auditors' opinion was not modified with respect to the implementation.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents 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.

INDEPENDENT AUDITORS' REPORT

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

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, 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 November 30, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018. 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. The District 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.

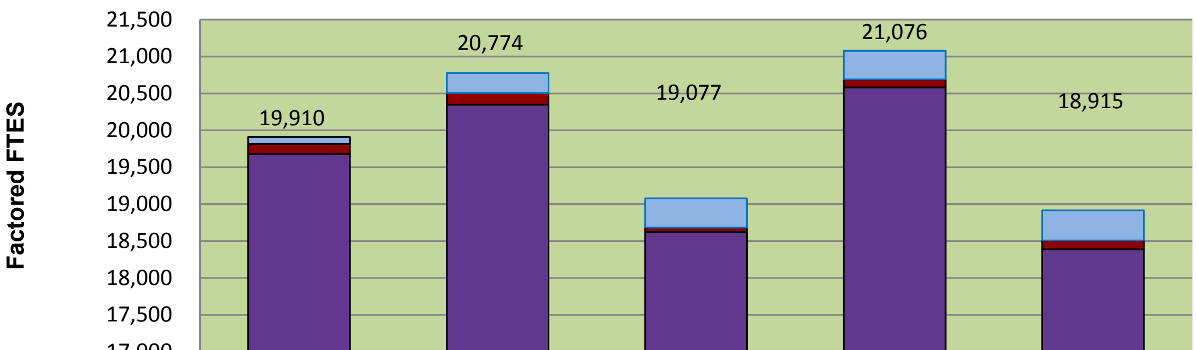
- Cash balance (cash and cash equivalents) current and restricted decreased $15.9 million (-7.5%) from $211.4 million to $195.5 million mainly due to spending bond funds as planned on construction projects. (More details in subsequent pages.)

- Total operating, non-operating and other revenues increased $11.3 million (4.4%) from $256.5 million to $267.8 million due to overall increases in most revenues. (More details in subsequent pages.)

- 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, 2018. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our total apportionment eligible FTES reported was 18,915 for the 2017-18 fiscal year. This represents a decrease of 2,161.

Annual Enrollment

Full-Time Equivlent Students (FTES)



	2013-14	2014-15	2015-16	2016-17	2017-18
CDCP Noncredit	97	272	395	387	406
Noncredit	137	155	59	108	123
Credit	19,676	20,347	18,623	20,581	18,386

- Total ending fund balances (modified accrual basis of accounting) decreased $19.2 million (-9.7%) from $198.4 million to $179.2 million due mainly to spending as planned in bond funds for construction and other capital expenditures.

- Net position (full accrual basis of accounting) deficit increased $4.6 million (4.9%) from -$93.8 million to -$98.4 million, which was mainly due to the $12.1 million decrease in restricted net position.

- 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 $17.4 million to $150.9 million. This 13.0% net increase is due to staff and salary increases, one-time retro payments, the increased STRS and PERS contributions, the supplemental employee retirement plan (SERP), the increase to STRS state on behalf contributions, and increases to health insurance premiums.

- The District continues to make significant progress with the construction of new facilities and the renovation of existing facilities including:

Location	% Complete
<u>Liberal Arts Campus</u>	
Building D, First and Second Floors Modernization	80%
Language Arts Department (Building P) Modernization	85%
Auditorium (Building J)	20%
<u>Pacific Coast Campus</u>	
ADA Site Barrier Removal Project	90%
ADA Building Barrier Removal Project	5%
Water Conservation Project	90%

Projects in the planning and design stages are:

- Parking Structure (Building P2) – Pacific Coast Campus
- Construction Trades, Phase I (Building MM) Renovation – Pacific Coast Campus
- Kinesiology Labs and Aquatic Center (Building W) – Liberal Arts Campus
- Liberal Arts Classroom (Building M) – Liberal Arts Campus
- ADA Site and Building Barrier Removal Projects – Liberal Arts Campus
- Central Plant Expansion (Building X) – Liberal Arts Campus

These projects are funded through the District's $440 million (Measure E, 2008) and $850 million (Measure LB, 2016) general obligation bond programs.

- The District provided student financial aid to qualifying students of the District in the amount of $45.7 million. This represents a $1.4 million increase from the 2016-17 fiscal year. This aid is provided through grants and loans from the Federal and State programs. Federal Pell Grant maximums increased 1.8% to $5,920 per student in 2017-18. As the economy has improved, the number of financial aid eligible students has leveled off in recent years.

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, 2018 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, 2018.

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.

Cash balance (cash and cash equivalents) current and restricted decreased $15.9 million (-7.5%) from $211.4 million to $195.5 million mainly due to decrease in bond cash for planned payments for construction projects offset by other net increases.
Capital assets increased 1.3% from $391.8 million to $396.9 million. This is the result of the District's continuing investment in constructing and renovating buildings, and equipment purchases at both of the District's two campuses, less accumulated depreciation expense.

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 $15.1 million (48.5%) and the deferred inflows increased $0.4 million (8.7%) for the District's proportionate share of changes in actuarial assumptions, based on statements from STRS and PERS. These net positive changes are offset by the $22.1 million increase in net pension liability, which makes the net effect of reporting pensions $109.9 million, which is a 7.3% increase from the previous year.

Long-term liabilities less current portion increased $18.1 million (2.7%) from $683.1 million to $701.2 million due to the $22.1 million increase to pension liability, less the bond principal payments.

The components of net position are investment in capital assets, restricted assets and unrestricted assets. The negative $63.4 million in net position invested in capital assets consists of $396.9 million in capital assets, net of accumulated depreciation and including the Bond Construction Fund balance of $54.5 million, less $514.8 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.

$53.8 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 $88.7 million. The negative balance is primarily due to the recognition of $150.9 million net pension liability for STRS and PERS. The net impact of financial reporting for pensions is a negative $109.9 million ($7.5 million increase from prior year). In addition, with the implementation of GASB Statements No. 74 and No. 75 in the 2016-17 fiscal year, we are now required to report our net Other Post-employment Benefits (OPEB) liability on our statement of net position. The net OPEB liability increases the net position deficit an additional $30.7 million. Without recognizing these liabilities, the unrestricted net position would be a positive $51.9 million, which is a $15.6 million increase 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 the unrestricted general fund.

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

	(in thousands) June 30, 2018	(in thousands) June 30, 2017	Change
Assets			
Current assets			
Cash and cash equivalents	$ 83,494	$ 78,048	7.0%
Receivables	15,776	14,906	5.8%
Prepaid expenses	1,678	2,528	-33.6%
Total current assets	100,948	95,482	5.7%
Non-current assets			
Restricted cash and cash equivalents	112,091	133,323	-15.9%
Capital assets, net of depreciation	396,861	391,839	1.3%
Total non-current assets	508,952	525,162	-3.1%
Total Assets	609,900	620,644	-1.7%
Deferred Outflows of Resources			
Deferred charge on refunding	23,697	11,971	98.0%
Deferred outflows - pensions	46,223	31,128	48.5%
Deferred outflows - OPEB	4,083		100.0%
Total Deferred Outflows of Resources	74,003	43,099	71.7%
Total Assets and Deferred Outflows of Resources	$ 683,903	$ 663,743	3.0%

	(in thousands) June 30, 2018	(in thousands) June 30, 2017	Change
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	28,092	20,958	34.0%
Due to fiduciary fund	235	111	111.7%
Due to OPEB Trust	-	65	-100.0%
Unearned revenue	13,765	18,649	-26.2%
Amounts held in trust for others	9	155	-94.2%
Estimated claims liability	195	194	0.5%
Long-term liabilities - current portion	33,514	29,533	13.5%
Total current liabilities	75,810	69,665	8.8%
Non-current liabilities			
Long-term liabilities less current portion	701,166	683,061	2.7%
Total non-current liabilities	701,166	683,061	2.7%
Total Liabilities	776,976	752,726	3.2%
Deferred Inflows of Resources			
Deferred inflows - pensions	5,235	4,814	8.7%
Deferred inflows - OPEB	92	-	100.0%
Total Deferred Outflows of Resources	5,327	4,814	10.7%
Net Position			
Net investment in capital assets	(63,409)	(64,116)	1.1%
Restricted	53,812	65,924	-18.4%
Unrestricted	(88,803)	(95,605)	-7.1%
Total Net Position	(98,400)	(93,797)	4.9%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 683,903	$ 663,743	3.0%

This schedule has been prepared from the Statement of Net Position presented on pages 2 and 3.

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:

	(in thousands) June 30, 2018	(in thousands) June 30, 2017	Change
Operating Revenues			
Net tuition and fees	$ 12,133	$ 11,924	1.8%
Grants and contracts, non-capital	87,829	84,766	3.6%
Auxiliary commissions and stadium concessions	1,004	812	23.6%
Total operating revenues	100,966	97,502	3.6%
Operating Expenses			
Salaries and benefits	150,925	133,526	13.0%
Supplies, materials and other operating expenses and services	41,211	38,541	6.9%
Financial aid	45,658	44,307	3.0%
Depreciation	16,012	14,775	8.4%
Total operating expenses	253,806	231,149	9.8%
Operating loss	(152,840)	(133,647)	14.4%
Non-operating revenues			
State apportionments, non-capital	77,193	76,654	0.7%
Local property taxes	36,835	32,705	12.6%
State taxes and other revenues	5,333	6,167	-13.5%
Investment income, net	1,338	923	45.0%
Total non-operating revenues	120,699	116,449	3.6%
Other revenues, (expenses), gains or (losses)			
State apportionments, capital	1,353	3,606	-62.5%
Local property taxes and other revenues, capital	43,276	37,765	14.6%
Investment income, capital	1,496	1,143	30.9%
Interest expense and costs of issuing capitl asset - related debt	(18,615)	(18,425)	1.0%
Net gain (loss) on disposal of capital assets	28	16	75%
Total other revenues, (expenses), gains or (losses)	27,538	24,105	14.2%
Changes in net position	(4,603)	6,907	-166.6%
Net position, beginning of year as previously reported	(93,797)	(74,997)	25.1%
Cumulative effect of change in accounting principles	-	(25,707)	100.0%
Net position, beginning of year after cumulative effect	(93,797)	(100,704)	-6.9%
Net position, end of year	$ (98,400)	$ (93,797)	4.9%

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:

	(in thousands) June 30, 2018	(in thousands) June 30, 2017	Change
Revenues			
Operating Revenues	$ 100,966	$ 97,502	3.6%
Non Operating Revenues	120,699	116,449	3.6%
Other Revenues	46,153	42,530	8.5%
	267,818	256,481	4.4%
Expense			
Operating Expenses	253,806	231,149	9.8%
Other Expenses	18,615	18,425	1.0%
Total Expenses	272,421	249,574	9.2%
Change in Net Position	(4,603)	6,907	-166.6%
Net position, beginning of year as previously reported	(93,797)	(74,997)	25.1%
Cumulative effect of change in accounting principles	-	(25,707)	-100.0%
Net position, beginning of year after cumulative effect	(93,797)	(100,704)	-6.9%
Net Position End of Year	$ (98,400)	$ (93,797)	4.9%

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

Other revenues increased $3.6 million due mainly to the increase in property tax revenue through the Bond Interest and Redemption Fund collected for general obligation bond debt, which fluctuates according to the repayment schedule.

Operating expenses increased by $22.7 million due mainly to the $17.4 million increase in salaries and benefits, which includes ongoing increases and one-time retro payments paid in 2017-18.

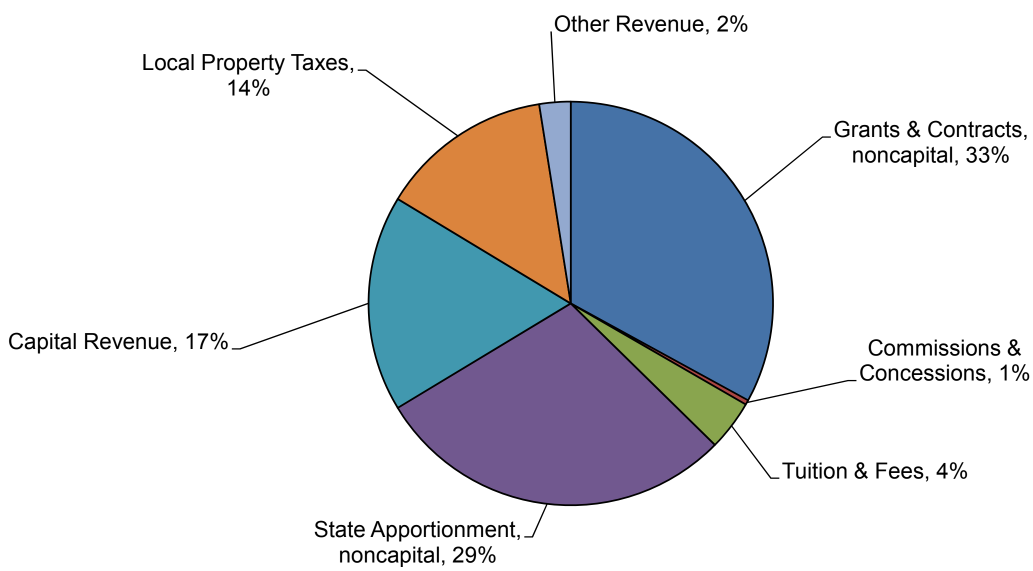
Total revenues were $267.8 million while total expenditures were $272.4 million. This yields a decrease in net position of $4.6 million.

The combined net effect of pension liabilities for STRS and PERS, including deferred inflows and outflows, and the OPEB liability is $140.6 million as of June, 30, 2018. The District's net position would be higher by that amount if the liabilities were not required in the financial statements.

Pronouncements effective in recent years require the District to reflect its proportionate share of pension liabilities in the financial statements. In addition, the implementation of GASB Statements No. 74 and No. 75 last year require us to report the full value of our net OPEB liability. As a result, most community college districts will show a negative net position on their financial statements.

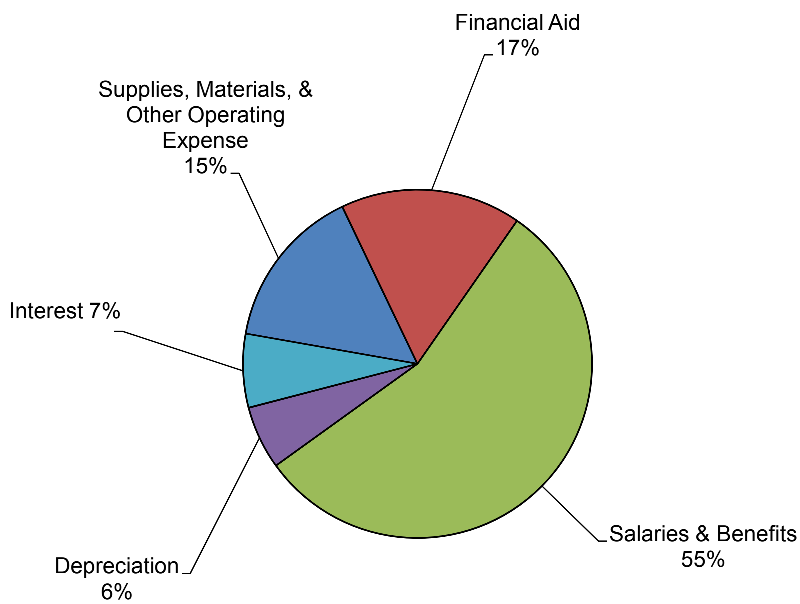
The following chart shows the sources of revenue to the District. The largest sources are State apportionment; non-capital (29%) which is derived from the State's funding formula for Community Colleges; and Grants & Contracts, non-capital (33%).

Revenue 2017-18



The following chart shows where the District's money is spent. The largest category of expenses (55%) is for salaries and benefits. This reflects the college's reliance on faculty members and support staff to carry out its educational mission.

Expenses 2017-18



Statement of Cash Flows

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

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

Operating activities – Cash receipts from operating activities are derived from a variety of sources, including from student fees, enterprise activities, and from Federal, State, local, and private grants. Uses of cash are salaries and benefits for employees, payments to vendors, and financial aid to students. Cash receipts and payments vary based on timing of the District receiving and disbursing cash; however, throughout the year, the District always maintained a positive cash position.

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.

Investing activities – The primary cash source is interest income from deposits with the County Treasury.

The net change in cash, considering all sources and uses, was a decrease of $15.8 million. This results in an end of year cash balance of $195.6 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 follows is presented herein:

	(in thousands) June 30, 2018	(in thousands) June 30, 2017	Change
Cash Provided By (Used in)			
Operating activities	$ (129,615)	$ (125,159)	-3.6%
Non-capital financing activities	122,187	118,225	3.4%
Capital and related financing activities	(9,397)	81,018	111.6%
Investing activities	1,039	703	47.8%
Net increase/(decrease) in cash and cash equivalents	(15,786)	74,787	121.1%
Cash balance, beginning of year	211,371	136,584	54.8%
Cash balance, end of year	$ 195,585	$ 211,371	-7.5%

This schedule has been prepared from the Statement of Cash Flow presented on page 5.

Net cash flows used in operating activities increased by $4.5 million, which is in line with operating expenses that outpaced operating revenues.

Cash provided by non-capital financing activities increased $4.0 million due mainly to a net increase in local property tax collections and decrease in mandated cost reimbursement.

Cash flows used in capital and related financing activities decreased $90.4 million. This is mainly due to the issuance of general obligation bonds during the 2016-17 year. These issuances are done every three or four years.

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, 2017, the District had $391.8 million, net of depreciation, in a broad range of capital assets including land, buildings, equipment and construction in progress. During the 2017-18 fiscal year, the District continued to modernize various facilities throughout the District at a cost of $21.0 million. At the end of the year capital assets, net of depreciation, were valued at $396.9 million, which is a 1.3% increase.

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

	(in thousands) Balance June 30, 2018	(in thousands) Balance June 30, 2017	Change
Land	$ 25,976	$ 25,976	0.0%
Construction in progress	20,455	24,651	-17.0%
Site and site improvements	448,190	425,816	5.3%
Equipment	20,235	18,747	7.9%
Totals at historical cost	514,856	495,190	4.0%
Less accumulated depreciation for:			
Site and site improvements	104,025	90,458	15.0%
Equipment	13,970	12,893	8.4%
Total accumulated depreciation	117,995	103,351	14.2%
Capital assets, net	$ 396,861	$ 391,839	1.3%

Long-Term Debt

As of June 30, 2017, the District had $712.6 million in long-term debt. During the 2017-18 fiscal year, long-term debt increased by $22.1 million. This is mainly due to the $5.4 million increase in OPEB liability due to GASB Statements No. 74 and No. 75 and the $22.1 million increase to net pension liability. The District's bond rating is AA (S&P) and Aa2 (Moody's).

Notes 7 through 13 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 (RSI) section of this report. The net OPEB liability is explained further in the footnotes and RSI. A comparison of long-term debt is summarized herein:

	(in thousands) Balance June 30, 2018	(in thousands) Balance June 30, 2017	Change
General obligation bonds, net	$ 538,500	$ 546,802	-1.5%
Compensated absences	5,612	5,795	-3.2%
Net other postemployment benefits other than pensions	34,727	29,363	18.3%
Net pension liability	150,909	128,760	17.2%
Supplemental employee retirement plan	4,932	1,874	163.2%
Total long term debt	734,680	712,594	3.1%
Total short term portion	(33,514)	(29,533)	13.5%
Total long term portion	$ 701,166	$ 683,061	2.7%

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 presented in separate statements 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.

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 $114.0 million support 48.0% of total operating expenses, excluding depreciation.

State Budget. On June 27, 2018, Governor Brown signed the final State Budget of his career. Seven and a half years ago he inherited a $27.0 billion budget deficit. His 2018-19 Budget includes a rainy day fund of $13.8 billion. The Budget also includes several trailer bills and results in a total investment in Proposition 98 (K-14 education) of 478.4 billion, an increase of $2.8 billion over last year. The major features for Community Colleges are the new online community college and the new community college funding formula, which will be phased in over three years.

Student-Centered Funding Formula (SCFF). Simulations of early versions of the SCFF, projected a $10.0 million decrease in apportionment funding for LBCCD. The Budget version of the funding formula includes provisions that should mitigate the negative impacts. Some of the main features of the new SCFF are:

- Three-Year Phase in - The formula is designed to provide 70% base allocation, 20% for equity allocation, and 10% for the student success allocation in 2018-19 (a 70-20-10 split), with a 65-20-15 split in 2019-20 and a 60-20-20 split in 2020-21.
  - Base Grants (70% in 2018-19) — District base grants determined by three-year rolling average FTES enrollment. Noncredit FTES is funded at existing rates.
  - Supplemental Grant (20% in 2018-19) — Supplemental grants based on the number of low-income students that the district enrolls reflecting three factors: (1) headcount of all students who receive a College Promise Grant fee waiver (formerly known as the BOG Waiver); (2) Pell Grant recipient headcount enrollment; and (3) AB540 students per the California Dream Grant application.
  - Student Success Incentive Grant (10% in 2018-19) — Funding based on an elaborate point system derived from measures of student progress, outcomes (certificates, degrees and transfers) and wages (for recent graduates).
- "Summer Shift" – continues. This provision continues district's ability to choose the fiscal year in which to report specified summer FTES for summer enrollment that overlaps fiscal years.
- Stability funding – continues. Total apportionment will be equal to the greater of the current year or prior year apportionment calculated.
- Hold Harmless Provision—Extended for the next three years. Districts that do not earn apportionment equal to 2017-18 funding under the new formula would be held harmless to at least 2017-18 funding levels plus COLA for 2018-19, 2019-20 and 2020-21.

LBCCD is projected to be a hold harmless district for the next two to three years.

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.

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 20.25% by 2022-23 according to the Governor's plan. PERS also has plans to increase employer's contributions. The employer's share is expected to be 25.50% by 2025-26. 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 is 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 grow over years with net investment earnings. The District's proportionate share of pension liabilities are reported on our financial statements, which leads to our deficit net position.

Enrollment. Apportionment funding based on enrollment has decreased from 100% to 70% of the new funding formula. Though it is reduced, it is still by far the largest factor. We received stabilization funding in 2017-18 due to declining enrollment and shifted summer school enrollment. Declining enrollment is an issue throughout the state. We have budgeted 20,132 FTES for 2018-19, which is below our base from 2016-17, but will still be difficult to attain. The strong economy typically results in lower enrollment. In addition, stricter eligibility requirements for the California Promise Waivers (formerly Board of Governors Grant (BOGG) waivers) enacted in 2016-17 could reduce enrollment going forward. We continue to explore enrollment strategies to try to improve our enrollment to avoid decreased apportionment funding. Teams were formed to address enrollment issues and we had a Partnership Resource Team (PRT) visit, which focused on enrollment management.

Student Success Metrics. Simulations of the new SCFF do not look favorable for the District largely due to the enrollment challenges noted above and challenges in student success metrics. The student success portion on the new formula is designed to be 10% of statewide apportionment, but it only represents about 7% for LBCCD in the Chancellor's Office's simulation. We will work to verify accurate counts and reporting of success metrics. We will continue to work to improve the timely completion of students' goals including certificates, degrees and transfers.

Retiree Benefit Obligations. This is the second year of implementation of GASB Statements No. 74 and No. 75 for the District, which results in reporting the full value of our Net OPEB Liability in our financial statements, which is $34.7 million at June 30, 2018. This results in an even higher net position deficit as of June 30, 2018.

Deficit Spending. The District's 2018-19 Unrestricted General Fund Adopted Budget includes over $3.5 million in deficit spending. $1.0 million of that is due to one-time projects, leaving a budgeted structural deficit of $2.5. Multi-year projections show deficits of over $6 million per year for the next two years. The District began a three-phase deficit reduction plan at the beginning of 2018-19, which will continue into 2019-20.

Other Updates

Salary increases. The District's 2018-19 Adopted Budget includes salary increases based on previously negotiated agreements including a 2% increase in 2018-19 for part-time faculty; a 2.71% increase for full-time classified staff effective July 1, 2018; and a 1.50% increase for full-time faculty effective July 1, 2018.

Property Sale. On June 8, 2018 a purchase and sale agreement between the District and Olson Urban Housing, LLP (Buyer) was entered into for the purchase price of $16,625,000 for the purchase of District's surplus real property located at 3320 and 3340 Los Coyotes Diagonal and 3325 Palo Verde Avenue, Long Beach California. A good faith deposit from the Buyer of $200,000 is held in escrow and is refundable during the due diligence period. Providing the agreement has not been terminated or extended, and all the conditions of the agreement have been satisfied, the closing date may occur in May 2019.

Retiree Health Fund. In past years, the District funded the Retiree Health Fund with contributions of at least the actuarial determined Annual Required Contribution (ARC) amount. Now that the net OPEB liability is fully reported on these financial statements, the ARC is not calculated as part of our Actuarial Studies. However, the ARC estimate provided by our Actuary is $4.2 million as of July 1, 2018. The Retiree Health Fund, ended the 2017-18 year with a $30.0 million fund balance. Of that balance, $8.2 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.

District Administration. This the second year for Superintendent-President, Dr. Reagan Romali. The Vice President, Academic Affairs was filled last year on an interim basis and now on a permanent basis by Dr. Kathleen Scott. Dr. Mike Munoz became the Vice President, Student Support Services in July 2018. Marlene Dunn became Vice President, Business Services in May 2018. Gene Durand is the Interim Vice President, Human Resources as of July 2018.

State Facilities Bonds. The 2018-19 State Budget continues to provide funding for the District's two approved state capital projects:

- Buildings M & N at the Liberal Arts Campus $27,520,152
- Construction Trades Phase 1, Building MM at the Pacific Coast Campus $320,345

These projects will be funded with state and local bond funds.

Tax Reform. Federal tax reform was signed into law in December 2017. The bill includes the elimination of advance refunding of municipal bonds. This will probably reduce our future bond refunding opportunities. Bond refundings are refinancing of prior issued bonds, which reduce the related property tax payments for taxpayers. Tax reform also reduces the tax benefits of charitable donations for millions of tax payers. This could reduce donations to the College and the College Foundation, which could impact our students.

Supplemental Employee Retirement Plan (SERP) - The District offered a SERP to full-time faculty, management and permanent classified staff. Employees were offered a benefit based on 70% of their annual salary. To be eligible employees had to be older than 50 by June 30, 2018; have at least 5 years of service with the District; be eligible to retire from STRS/PERS; retire from the District by June 30, 2018 and enroll in the SERP program between May 1 and June 12, 2018. 53 employees (17 faculty, 11 management and 25 classified) enrolled for the SERP. Our consultants estimate the 5-year total net savings at $234,112. This estimate allows for normal attrition and assumes that positions are refilled immediately.

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, 2018

Assets	
Current assets:	
Cash and cash equivalents	$ 83,494,239
Accounts receivable, net	15,776,030
Prepaid expenses	1,678,243
Total Current Assets	100,948,512
Non-Current Assets:	
Restricted cash and cash equivalents	112,090,626
Capital assets, net	396,861,376
Total Non-Current Assets	508,952,002
Total Assets	609,900,514
Deferred Outflows of Resources	
Deferred charge on refunding	23,697,316
Deferred outflows - pension	46,222,819
Deferred outflows - other postemployment benefits plan	4,082,686
Total Deferred Outflows of Resources	74,002,821
Total Assets and Deferred Outflows of Resources	$ 683,903,335

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

Liabilities	
Current Liabilities:	
Accounts payable	$ 20,095,112
Accrued interest payable	4,257,658
Accrued liabilities	3,739,030
Due to fiduciary fund	235,415
Unearned revenue	13,765,062
Amounts held in trust for others	9,441
Estimated claims liability	194,828
Current portion of long-term debt	33,513,536
Total Current Liabilities	75,810,082
Non-Current Liabilities	
Long-term debt	701,166,384
Total Non-Current Liabilities	701,166,384
Total Liabilities	776,976,466
Deferred Inflows of Resources	
Deferred inflows - pensions	5,234,916
Deferred inflows - other postemployment benefits plan	91,971
Total Deferred Outflows of Resources	5,326,887
Net Position	
Net investment in capital assets	(63,409,012)
Restricted for:	
Capital projects	23,615,386
Debt service	25,595,801
Scholarship and loans	121,521
Other special purposes	4,479,377
Unrestricted	(88,803,091)
Total Net Position	(98,400,018)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 683,903,335

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, 2018

	Primary Governmental
Operating Revenues	
Tuition and fees (gross)	$ 28,205,629
Less: Scholarship discounts and allowances	(16,072,900)
Net tuition and fees	12,132,729
Grants and contracts, non-capital:	
Federal	46,745,613
State	35,591,805
Local	5,492,094
Auxiliary commissions and stadium concessions	1,004,163
Total Operating Revenues	100,966,404
Operating Expenses	
Salaries	96,757,343
Employee benefits	54,167,805
Supplies, materials, and other operating expenses and services	38,104,326
Financial aid	45,658,217
Utilities	3,106,458
Depreciation	16,011,486
Total Operating Expenses	253,805,635
Operating Income (Loss)	(152,839,231)
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	77,192,646
Local property taxes	36,835,746
States taxes and other revenue	5,332,797
Interest and investment income	1,337,737
Total Non-Operating Revenues (Expenses)	120,698,926
Income Before Other Revenues, Expenses, Gains and Losses	(32,140,305)
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	1,352,735
Local property taxes and revenues, capital	43,276,199
Interest and investment income, capital	1,495,796
Interest expense and costs of issuing capital asset-related debt	(18,614,687)
Proceeds from sale of capital assets	27,572
Total Other Revenues, Expenses, Gains and Losses	27,537,615
Changes in Net Position	(4,602,690)
Net Position, Beginning of Year	(93,797,328)
Net Position, End of Year	$ (98,400,018)

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees (net)	$ 12,058,873
Federal grants and contracts	48,237,839
State grants and contracts	31,533,619
Local grants and contracts	4,554,424
Auxiliary commissions and stadium concessions	1,004,163
Payments to suppliers	(39,447,864)
Payments to/on-behalf of employees	(138,097,551)
Payments to/on-behalf of students	(45,980,458)
Amounts received/(paid) in trust	(215,666)
Net cash used by operating activities	(126,352,621)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	80,253,469
Local property taxes	36,835,746
State taxes and other revenue	5,097,953
Net cash provided by non-capital financing activities	122,187,168
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State apportionment for capital purposes	1,352,735
Local revenue for capital purposes	43,123,968
Interest on investments, capital funds	31,471
Net purchase and sale of capital assets	(18,000,793)
Proceeds of debt issuance	99,701,881
Transfer to escrow account for defeased debt	(85,835,000)
Principal and interest paid on capital related debt	(53,034,449)
Net cash used by capital and related financing activities	(12,660,187)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,039,186
Net cash provided by investing activities	1,039,186
NET INCREASE IN CASH AND CASH EQUIVALENTS	(15,786,454)
CASH BALANCE - Beginning of Year	211,371,319
CASH BALANCE - End of Year	$ 195,584,865

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

Reconciliation of Operating Loss to
Net Cash Used by Operating Activities

CASH USED BY OPERATING ACTIVITIES

Operating loss	$ (152,839,231)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	16,011,486
Changes in assets and liabilities:	
Receivables, net	832,891
Prepaid expenses	850,114
Deferred outflows of resources - pensions	(15,094,385)
Deferred outflows of resources - OPEB	(4,082,686)
Accounts payable	395,737
Accrued liabilities	700,472
Due to fiduciary	124,377
Due to OPEB trust	(64,708)
Unearned revenue	(4,410,377)
Amounts held for others	(145,215)
Compensated absences	(182,832)
Net other postemployment retiree benefits (OPEB)	5,363,861
Net pension liabilities	22,148,295
Supplemental employee retirement plan (SERP)	3,526,540
Deferred inflows of resources - pensions	421,069
Deferred inflows of resources - OPEB	91,971
Net cash used by operating activities	$ (126,352,621)
Breakdown of ending cash balance:	
Cash and cash equivalents	$ 83,494,239
Restricted cash and cash equivalents	112,090,626
Total	$ 195,584,865

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

		Student Trust Funds
Assets		
Cash and cash equivalents	$	3,261,736
Accounts receivable		6,030
Due from Governmental funds		235,415
Total Assets		3,503,181
Liabilities		
Accounts payable		82,596
Amount held for others		596,895
Unearned revenue		146,107
Total Liabilities		825,598
Net Position		
Restricted		
Unrestricted		2,677,583
Total Net Position	$	2,677,583

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, 2018

	Student Trust Funds
Additions	
Student fees	$ 975,899
Other local revenues	39,043
Interest and investment income	22,712
Total Additions	1,037,654
Deductions	
Salaries	198,765
Employee benefits	90,355
Supplies, materials, and other operating expenses and services	678,938
Total Deductions	968,058
Net increase in net position	69,596
Net Position, Beginning of Year	2,607,987
Net Position, End of Year	$ 2,677,583

See accompanying notes to the financial statements.

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATEMENT OF
OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
June 30, 2018

	Retiree (OPEB) Trust
Assets	
Investments	$ 8,177,646
Total Assets	8,177,646
Net Position - Restricted for Other Postemployment Benefits	$ 8,177,646

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, 2018

	Retiree (OPEB) Trust
Additions	
Employer contributions	$ 2,817,936
Investment income:	
Interest and investment income	297,054
Realized gain on investments	11,749
Unrealized gain on investments	132,893
Investment expense	(71,423)
Net investment income	370,273
Total Additions	3,188,209
Deductions	
Benefit payments	2,817,936
Total Deductions	2,817,936
Net increase in net position	370,273
Net Position - Restricted for Other Postemployment Benefits, Beginning of Year	7,807,373
Net Position - Restricted for Other Postemployment Benefits, End of Year	$ 8,177,646

See accompanying notes to the financial statements.

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.

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) comprised of the Vice President of Business Services, the Director of Business Support and the Director of Fiscal Services provide oversight over the Retiree Benefit Trust investment and plan administration. As such, the District acts as the fiduciary of the Trust. 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 the 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 $1,147,220 on June 30, 2018, 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 accounts and reported in the financial statements. Basis of accounting relates to the timing of the

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Accounts Receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's 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 acquisition 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prior to June 30, 2017, Interest costs were 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 were offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets. During the fiscal year ending June 30, 2018, accounting standards determined this is no longer required and the interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported, prospectively.

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

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

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 12 to the financial statements.

Deferred Outflows – OPEB: The deferred outflows of resources related to OPEB benefits results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans, (the effect of changes in proportion of cost-sharing programs,) and the difference between expected and actual experience. The deferred outflows – OPEB will be deferred and amortized as detailed in Note 11 to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of 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 – Pensions: Deferred inflows of resources represent an acquisition of net

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 12 to the financial statements.

Deferred Inflows – OPEB: The deferred inflows of resources related to OPEB benefits results from the difference between the estimated and actual return on OPEB plan investments, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

Net Position

Net 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.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2018, $4,052,620 of the District's bank balance of $5,088,008 was exposed to credit risk as follows:

NOTE 2: DEPOSITS AND INVESTMENTS

District's Bank Balance	June 30, 2018
Uninsured and collateral held by pledging bank's trust department not in the District's name	$ 3,289,295
Uninsured and uncollateralized (1)	763,325
Total	$ 4,052,620

(1) Deposits held with the fiscal agent, SWACC under the District's Property and Liability self-insurance program, totaled $763,235. 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, 2018 is measured at 98.7% 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 and the restricted general 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 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

NOTE 2: DEPOSITS AND INVESTMENTS

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, 2018.

Investment Valuation

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, 2018 are presented below:

Investment	Cost	Fair Value Measurements: Net Asset Value (NAV)
Mutual Fund - Fixed Income	$ 4,565,051	$ 4,503,423
Mutual Fund - Domestic Equity	2,300,041	2,679,164
Mutual Fund - International Equity	538,964	660,260
Mutual Fund - Real Estate	333,239	334,799
Total	$ 7,737,295	$ 8,177,646

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 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

NOTE 2: DEPOSITS AND INVESTMENTS

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's investments are in mutual funds which are not rated.

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.

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, 2018 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 does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the following:

Accounts Receivable	June 30, 2018
Federal and state	$ 3,806,481
Tuition and fees	3,166,765
Debt related property taxes	4,049,054
Miscellaneous	4,753,730
Total	$ 15,776,030

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, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 25,976,471	$	$	$ 25,976,471
Construction in progress	24,650,643	17,387,134	21,582,848	20,454,929
Total capital assets not being depreciated	50,627,114	17,387,134	21,582,848	46,431,400
Capital assets being depreciated:				
Site improvements	425,815,367	22,374,775		448,190,142
Equipment	18,746,838	2,855,169	1,366,779	20,235,228
Total capital assets being depreciated	444,562,205	25,229,944	1,366,779	468,425,370
Less accumulated depreciation for:				
Site improvements	90,457,991	13,567,016		104,025,007
Equipment	12,892,696	2,444,470	1,366,779	13,970,387
Total accumulated depreciation	103,350,687	16,011,486	1,366,779	117,995,394
Depreciable assets, net	341,211,518	9,218,458	-	350,429,976
Governmental activities capital assets, net	$ 391,838,632	$ 26,605,592	$ 21,582,848	$ 396,861,376

NOTE 6: OPERATING LEASES

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

Year Ending June 30,	June 30, 2018
2019	$ 313,551
2020	253,899
2021	34,335
2022	17,171
2023	4,293
Total	$ 623,249

Current year expenditures for operating leases is approximately $464,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General obligation bonds					
(2002 election):					
General obligation bonds	$ 115,008,138	$	$ 5,910,883	$ 109,097,255	$ 5,969,949
Accreted interest	11,928,076	1,582,151	1,874,117	11,636,110	2,065,051
Bond premium	10,611,489		1,225,054	9,386,435	
(2008 election):					
General obligation bonds	275,180,492	83,490,000	89,395,693	269,274,799	6,080,000
Accreted interest	21,545,170	4,638,081	829,307	25,353,944	
Bond premium	24,044,986	16,211,881	1,411,596	38,845,271	
(2016 election):					
General obligation bonds	81,790,000		13,225,000	68,565,000	14,715,000
Bond premium	6,692,939		352,260	6,340,679	
Compensated absences	5,795,086		182,832	5,612,254	3,509,645
Net other postemployment benefits other than (OPEB)	29,363,467	5,363,861		34,727,328	
Net pension liability	128,760,261	22,148,295		150,908,556	
Supplemental employee retirement plan (SERP)	1,874,336	3,526,540	468,587	4,932,289	1,173,891
	$ 712,594,440	$ 136,960,809	$ 114,875,329	$ 734,679,920	$ 33,513,536

Liabilities for compensated absences, SERP obligations, pension liabilities, and OPEB

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

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 contain interest provisions 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 Election Series B (2005) Bonds. The bonds were issued as current interest bonds and contain interest provisions 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.

On October 24, 2007, the District offered for sale $70,999,987 in General Obligation 2002 Election Series D (2007) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of $43,550,000 and capital appreciation bonds in the aggregate principal amount of $27,449,987. These bonds contain interest provisions 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.

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

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

The proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayment. The outstanding balance of the defeased debt 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, 2018.

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 contain interest provisions 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, was redeemed by May 1, 2017. 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 $5,420,772. Amortization of $301,154 was recognized during the fiscal year ended June 30, 2018.

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 contain interest provisions 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

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

future repayments. The outstanding balance of the defeased debt 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 Measure E (2002) Bonds included total premiums of $22,348,879. This amount will be amortized using the straight-line method. Amortization of $1,225,055 was recognized during the fiscal year ended June 30, 2018.

The outstanding bonded debt of Measure E (2002) at June 30, 2018 is presented on the following page:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Series A	5/15/2003	5/1/2004 to 5/1/2013	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	
Series D	10/24/2007	5/1/2013 to 5/1/2032	3.63-6.01%	70,999,987	19,112,255
Series A (1)	8/15/2012	5/1/2016 to 5/1/2031	3.00-5.00%	40,960,000	36,080,000
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	11,475,000
Total					$ 109,097,255

(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, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
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	6,021,127	2,493,873	3,619,013	12,134,013
2023	6,136,026	2,633,974	3,456,513	12,226,513
2024-2028	42,364,055	6,160,945	13,796,965	62,321,965
2029-2032	36,775,000	-	3,581,284	40,356,284
Total Debt Service	$ 109,097,255	$ 17,887,745	$ 36,037,764	$ 163,022,764

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 (2008). Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities. In addition, proceeds will be used for the prepayment of certain lease and financing obligations of the District.
On July 24, 2008, the District offered for sale $48,373,981 in General Obligation 2008 Election Series A (2008) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of $24,990,000 and capital appreciation bonds in the aggregate principal amount of $23,383,981. These bonds contain interest provisions 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.

On December 12, 2012 the District offered for sale $237,003,695 in General Obligation 2008 Election Series B (2012) Bonds. The bonds were issued as current interest bonds in the aggregate principal amount of $181,545,000, capital appreciation bonds in the aggregate principal amount of $4,827,984 and convertible appreciation bonds in the principal amount of $50,630,711 and contain interest provisions 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.

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 contain interest provisions 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 was paid by the escrow agent on 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 $2,035,257. Amortization of $156,558 was recognized during the fiscal year ended June

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

30, 2018.

On June 25, 2015 the District offered for sale $20,345,000 in General Obligation 2008 Election, 2015 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 contain interest provisions 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 was paid by the escrow agent on 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 $159,291 was recognized during the fiscal year ended June 30, 2018.

On September 7, 2016 the District offered for sale $3,210,000 in General Obligation 2008 Election 2016 Series D (federally taxable) of current interest bonds. The bonds contain interest provisions ranging from 1.05 percent to 1.27 percent depending on the maturity date of the bond.

On November 16, 2017 the District offered for sale $83,490,000 in General Obligation 2008 Election 2018 Series G of current interest bonds. The bonds contain interest provisions ranging from 2.00 percent to 5.00 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 $85,835,000 has an expected redemption date of August 1, 2022. 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 $13,251,652. Amortization of $602,344 was recognized during the fiscal year ended June 30, 2018.

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 Measure E (2008) bonds included total premiums of $44,183,596 which are amortized using the straight-line method. Amortization of

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

$1,411,595 was recognized during the fiscal year ended June 30, 2018, which includes premiums recognized for the refunded portion of bonds.

The outstanding bonded debt of Measure E (2008) at June 30, 2018 is presented on the following page:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Series A	7/24/2008	6/1/2012 to 6/1/2033	3.59-5.45%	$ 48,373,981	$ 15,096,104
Series B	12/12/2012	8/1/2013 to 8/1/2049	2.00-5.00%	237,003,695	140,078,695
Series C (1)	3/11/2014	8/1/2016 to 8/1/2026	0.66-4.10%	11,825,000	8,745,000
Series F (2)	6/25/2015	6/1/2016 to 5/1/2030	2.00-5.00%	20,345,000	18,655,000
Series D	9/7/2016	8/1/2018 to 8/1/2019	1.05-1.27%	3,210,000	3,210,000
Series G (3)	11/16/2017	2/1/2018 to 8/1/2034	2.00-5.00%	83,490,000	83,490,000
Total					$ 269,274,799

(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.
(3) Refunding Bonds 2018 Series G - refunded portions of the Series B (2008) bonds.

The annual requirements to amortize all Measure E (2008) bonds payable, outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	$ 6,080,000	$	$ 8,265,375	$ 14,345,375
2020	7,395,000		8,088,539	15,483,539
2021	8,390,000		7,809,312	16,199,312
2022	9,270,000		7,453,436	16,723,436
2023	10,385,000		7,034,911	17,419,911
2024-2028	65,794,525	6,440,475	26,310,275	98,545,275
2027-2033	47,981,579	27,403,420	17,723,125	93,108,124
2034-2038	19,462,984	7,917,016	39,948,550	67,328,550
2039-2043	43,885,000		36,131,825	80,016,825
2044-2048	34,450,603	52,154,396	20,326,319	106,931,318
2049-2050	16,180,108	24,494,892	1,954,507	42,629,507
Total Debt Service	$ 269,274,799	$ 118,410,199	$ 181,046,174	$ 568,731,172

NOTE 10: 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 (2016). Proceeds from the sale of the bonds will be used to finance the construction, acquisition,

NOTE 10: GENERAL OBLIGATION BONDS – MEASURE LB (2016)

furnishing and equipping of District facilities.

On September 7, 2016, the District offered for sale $9,000,000 in current interest General Obligation 2016 Election Series A (federally taxable) Bonds and $72,790,000 in current interest General Obligation 2016 Election Series B Bonds. These bonds contain interest provisions ranging from 0.93 percent to 5.0 percent depending on maturity date of the bond.

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 $7,045,199, which are amortized using the straight-line method. Amortization of $352,260 was recognized during the fiscal year ended June 30, 2018.

The outstanding bonded debt of Measure LB (2016) at June 30, 2018 is as follows:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Series A	9/7/2016	8/1/2017	0.93%	$ 9,000,000	$
Series B	9/7/2016	8/1/2017 to 8/1/2046	2.00-5.00%	72,790,000	68,565,000
Total					$ 68,565,000

The annual requirements to amortize all Measure LB (2016) bonds payable, outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 14,715,000	$ 2,361,400	$ 17,076,400
2020	13,260,000	1,801,900	15,061,900
2021		1,536,700	1,536,700
2022		1,536,700	1,536,700
2023-2027	1,350,000	7,610,225	8,960,225
2028-2032	3,690,000	7,174,557	10,864,557
2033-2037	6,830,000	6,356,276	13,186,276
2038-2042	11,250,000	4,704,000	15,954,000
2043-2047	17,470,000	1,862,000	19,332,000
Total Debt Service	$ 68,565,000	$ 34,943,758	$ 103,508,758

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District established an Other Post Employment Benefit Plan (the Plan) which is a single-employer defined benefit healthcare plan administered by the Futuris Public Entity Investment

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Trust (FUTURIS). FUTURIS serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees.

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 Retiree Health Plan does not issue a separate financial report.

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

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
OPEB Plan	$ 34,727,328	$ 4,082,686	$ 91,971	$ 4,112,718

Membership of the plan consisted of the following at June 30, 2018:

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	158
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	808
Total	966

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District incurs 92% - 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, 2018 the District contributed $2,817,936 to the plan. District maintains a retiree benefits fund to designate resources for retiree health care costs. Committed resources in the fund totaled $21,808,969 at June 30, 2018.

Net OPEB Liability

The following table shows the components of the net OPEB liability (asset) of the District:

	Balance June 30, 2018
Total OPEB liability	$ 42,904,974
Plan fiduciary net position	8,177,646
District's net OPEB liability	$ 34,727,328
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	19%

The deferred outflow of resources results from a change of assumptions and is amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for June 30, 2018 is 9.6 years. The year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed 8.6 years.

The deferred inflow of resources resulting from the net differences between projected and actual earnings on plan investments is amortived over a five year period on a straight-line basis. One-fifth is recognized in OPEB expense during the measurement period and the remaining amount is deffered and will be amortized over the remaining four-year period.

At June 30, 2018, the District reported deferred inflows and outflows as follows:

Year Ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 474,731	$ 22,993
2020	474,731	22,993
2021	474,731	22,993
2022	474,731	22,992
2023	474,731	-
Thereafter	1,709,031	-
Total	$ 4,082,686	$ 91,971

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Investments

The Plan's policy for allocation of invested assets is established and may be amended by the Retirement Board of Authority (the RBA). It is the policy of the RBA to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of specific asset classes. Assets held in the Plan may be invested in accordance with California Government Code Sections 53600 through 53622, as applicable. The investment policy has a long-term focus, and, in particular, its emphasis is on preservation of capital. It discourages major shifts of asset class allocations over a short time span. The Retirement Board of Authority has established a target net return of 7%. There is no established asset allocation policy.

At June 30, 2018, all Plan investments were in mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was -0.69%.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. 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. The Plan's investment fair value measurements at June 30, 2018 are presented below:

		Fair Value Measurements
Investment	Cost	Net Asset Value (NAV)
Mutual Fund - Fixed Income	$ 4,565,051	$ 4,503,423
Mutual Fund - Domestic Equity	2,300,041	2,679,164
Mutual Fund - International Equity	538,964	660,260
Mutual Fund - Real Estate	333,239	334,799
Total	$ 7,737,295	$ 8,177,646

Actuarial Methods and Assumptions

The District's net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The actuarial assumptions noted below were applied to all periods included

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	4.50%
Health Care Trend Rate	4%

Mortality assumptions are based on the 2009 CalSTRS and 2014 CalPERS mortality tables. CalSTRS and CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. These tables incorporate mortality projections as deemed appropriate based on CalSTRS and CalPERS analysis.

The long-term expected rate of return on 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 (see the discussion of the Plan's investment policy) are as follows:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
US Large Cap	40%	7.80%
US Small Cap	20%	7.80%
Long-Term Corporate Bonds	30%	5.30%
Short-Term Government Fixed	10%	3.25%

Since the most recent valuation, the discount rate used to measure the total OPEB liability and expected rate of return on assets was changed from 5.8% to 4.5%. This was based on assumed long-term return on plan assets using historic 30 year real rates of return for each asset class along with an assumed long-term inflation assumption of 2.75%. Expected investment return was offset by investment expenses of 20 basis points. Contributions were assumed to be sufficient to fully fund the obligation over a period not to exceed 30 years. The long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	$ 37,170,840	$ 7,807,373	$ 29,363,467
Changes for the year:			
Service cost	2,332,879	-	2,332,879
Interest	1,661,774	-	1,661,774
Employer contributions	-	2,817,936	(2,817,936)
Assumption Changes	4,557,417	-	4,557,417
Net investment income	-	349,725	(349,725)
Investment Gains/Losses	-	91,971	(91,971)
Benefit payments	(2,817,936)	(2,817,936)	-
Administrative expenses	-	(71,423)	71,423
Net changes	5,734,134	370,273	5,363,861
Balances at June 30, 2018	$ 42,904,974	$ 8,177,646	$ 34,727,328

The following presents the District's net OPEB liability calculated using the discount rate of 4.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.5 percent) or 1-percentage-point higher (5.5 percent) than the current rate:

Discount rate	Net OPEB Liability (Asset)
1% decrease (3.5%)	$ 38,697,875
Current discount rate (4.5%)	34,727,328
1% increase (5.5%)	31,578,113

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (3%)	$ 31,124,702
Current healthcare trend rate (4.0%)	34,727,328
1% increase (5.0%)	38,771,547

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of $4,172,687.

NOTE 12: 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, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans are as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 86,006,400	$ 26,235,896	$ 3,790,680	$ 9,184,287
CalPERS - Schools Pool Plan	61,639,155	18,942,477	1,316,514	10,689,136
CalPERS - Miscellaneous Employer Plan (Auxiliary)	3,263,001	1,044,446	127,722	559,324
Total	$ 150,908,556	$ 46,222,819	$ 5,234,916	$ 20,432,747

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

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.

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

Provisions and Benefits	CalSTRS - STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were $7,552,499.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension

NOTE 12: EMPLOYEE RETIREMENT PLANS

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:

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 86,006,400
State's proportionate share of the net pension liability associated with the District	50,881,074
Total	$ 136,887,474

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.0930%.

For the year ended June 30, 2018, the District recognized pension expense of $15,888,673, including on-behalf expense and revenue of $5,121,669 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,552,499	$ -
Differences between expected and actual experience	318,060	1,500,090
Changes of assumptions	15,933,690	-
Changes in proportion	2,431,647	-
Net differences between projected and actual earnings on pension plan investments	-	2,290,590
Total	$ 26,235,896	$ 3,790,680

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

NOTE 12: EMPLOYEE RETIREMENT PLANS

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

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

Year Ending June 30,	Amortization
2019	$ 996,396
2020	4,341,606
2021	3,108,426
2022	865,576
2023	2,762,910
2024	2,817,803
Total	$ 14,892,717

Actuarial Methods and Assumptions

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

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

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

from year to year to develop an expected percentile 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 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Fixed income	12%	0.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 126,284,700
Current discount rate (7.60%)	86,006,400
1% increase (8.60%)	53,317,830

NOTE 12: EMPLOYEE RETIREMENT PLANS

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

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

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

NOTE 12: EMPLOYEE RETIREMENT PLANS

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.

The CalPERS provisions and benefits in effect at June 30, 2018, 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	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were $5,419,021.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $61,639,155. The net pension liability was measured as of June 30, 2017. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The 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

NOTE 12: EMPLOYEE RETIREMENT PLANS

relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.2582%.

For the year ended June 30, 2018, the District recognized pension expense of $3,846,285. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,419,021	$ -
Differences between expected and actual experience	2,208,277	-
Changes of assumptions	9,003,368	725,725
Changes in proportion	179,518	590,789
Net differences between projected and actual earnings on pension plan investments	2,132,293	-
Total	$ 18,942,477	$ 1,316,514

The deferred outflows of resources relating from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2017 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

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

Year Ending June 30,	Amortization
2019	$ 3,388,464
2020	5,777,029
2021	4,209,092
2022	(1,167,643)
Total	$ 12,206,942

NOTE 12: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
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	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

NOTE 12: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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%)	$ 90,690,949
Current discount rate (7.65%)	61,639,155
1% increase (8.65%)	37,538,259

Changes of Assumptions

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

Plan Fiduciary Net Position

Detailed information about CalPERS 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

NOTE 12: EMPLOYEE RETIREMENT PLANS

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.

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, 2018, are summarized as follows:

Provisions and Benefits	CalPERS - Miscellaneous Employer Pool	
Plan	First Tier	Second Tier
Hire date	On or Before December 31, 2012	June 26, 2011- December 31, 2012
Benefit formula	2% at 55	2% at 60
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	60
Required employee contribution	n/a, there are no longer any employees	
Required employer contribution	$ 174,923	

NOTE 12: EMPLOYEE RETIREMENT PLANS

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, 2018 are presented above and the total Auxiliary contributions were $174,923.

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

As of June 30, 2018, the Auxiliary reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling $3,263,001. The net pension liability was measured as of June 30, 2017. 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, 2017, the Auxiliary's proportion was 0.0329%.

For the year ended June 30, 2018, the Auxiliary recognized pension expense of $573,252. At June 30, 2018, the Auxiliary reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 174,923	$
Differences between expected and actual experience	3,269	46,835
Changes of assumptions	405,613	30,928
Changes in proportion	144,040	
Differences between contributions and proportionate share of contributions	224,868	49,959
Net differences between projected and actual earnings on pension plan investments	91,733	
Total	$ 1,044,446	$ 127,722

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, 2019.

NOTE 12: EMPLOYEE RETIREMENT PLANS

The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the Miscellaneous Plan for the June 30, 2017 measurement date is 3.7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.7 years.

The remaining will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2019	$ 255,339
2020	357,457
2021	183,468
2022	(54,463)
Total	$ 741,801

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017
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 the Society of Actuaries.

NOTE 12: EMPLOYEE RETIREMENT PLANS

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	47%	5.38%
Global fixed income	19%	2.27%
Inflation sensitive assets	6%	1.39%
Private equity	12%	6.63%
Real assets	11%	5.21%
Infrastructure and forestland	3%	5.36%
Liquidity	2%	-0.90%

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:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 3,729,445
Current discount rate (7.65%)	3,263,001
1% increase (8.65%)	1,285,087

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

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 $457,601 during the fiscal year. The total amount of covered compensation was $6,101,312. Contributions made by the employee vest immediately.

NOTE 13: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

The District has two Supplemental Employee Retirement Plans for faculty, classified and management/confidential employees. The total liability of $4,932,289 has been reflected in these financial statements.

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 2020-21. The total remaining liability of $1,405,749 has been reflected in these financial statements.

In 2017-18 the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for faculty and classified employees. A total of 17 faculty employees, 1 academic administrator, 10 classified managers and 25 classified employees participated in the

NOTE 13: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

plan. The total cost savings to the District is approximately $1.7 million. The District will pay benefits of $705,308 annually through 2022-23. The total remaining liability of $3,526,540 has been reflected in these financial statements.

NOTE 14: 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 a Self-Insurance Fund to account for and finance its risks of loss related to property and liability. Under this program, the Self Insurance 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 Self Insurance 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, 2018 totaled $43,386.

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, 2018 totaled $64,272.

Claims Liability

At June 30, 2018, the District accrued the workers' compensation claims liability for run-off claims in accordance with accounting standards, 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.

NOTE 14: INTERNAL SERVICE FUNDS

The amount of future liability is estimated at $194,828. Changes in the reported liability are shown below:

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 194,828	$ 45,558	$ (45,558)	$ 194,828

An estimate for claims liability related to property and liability risk has not been recorded as there are no known claims at June 30, 2018.

NOTE 15: 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-eight 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

NOTE 15: JOINT POWERS AGREEMENTS

governing boards. Member districts share surpluses and deficits proportionately to their 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.

The most current condensed financial information for the fiscal year ended is as follows:

	PIPS 6/30/2018 (Audited)	SAFER 6/30/2018 (Audited)	SEWUP 6/30/2018 (Audited)	SWACC 6/30/2018 (Audited)
Total assets	$ 128,632,982	$ 39,841,694	$ 28,006,375	$ 52,332,118
Total liabilities	104,498,678	38,695,867	26,011,078	34,316,883
Net position	$ 24,134,304	$ 1,145,827	$ 1,995,297	$ 18,015,235
Total revenues	310,649,471	59,869,098	19,450,109	22,350,383
Total expenses	303,959,631	59,413,248	19,349,667	29,435,155
Changes in net position	$ 6,689,840	$ 455,850	$ 100,442	$ (7,084,772)

NOTE 16: 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:

Functional Expense	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Financial Aid	Depreciation	Total
Instructional	$ 49,435,437	$ 22,800,409	$ 1,573,444	$	$	$ 73,809,290
Academic support	9,762,212	4,189,971	1,895,580	840,620		16,688,383
Student services	14,738,531	6,490,682	7,193,591	261,616		28,684,420
Operation and maintenance of plant	4,551,645	2,416,051	3,713,296			10,680,992
Institutional support	11,862,095	15,235,235	6,853,383	1,697		33,952,410
Community services and economic development	2,475,667	1,144,402	4,913,756			8,533,825
Ancillary services auxiliary operations	3,931,756	1,891,055	14,523,929			20,346,740
Student aid				44,554,284		44,554,284
Transfers and other outgo			543,805			543,805
Depreciation expense					16,011,486	16,011,486
Total	$ 96,757,343	$ 54,167,805	$ 41,210,784	$ 45,658,217	$ 16,011,486	$ 253,805,635

NOTE 17: 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, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $29.5 million. Projects will be funded through bond proceeds, state funds and general funds.

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

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, 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. 83 – *Certain Asset Retirement Obligations*

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

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

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

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

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

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

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

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

NOTE 19: SUBSEQUENT EVENTS

Los Coyotes Property Sale

On June 8, 2018 a purchase and sale agreement between the District and Olson Urban Housing, LLP (Buyer) was entered into for the purchase price of $16,625,000 for the purchase of District's surplus real property located at 3320 and 3340 Los Coyotes Diagonal and 3325 Palo Verde Avenue, Long Beach California. A good faith deposit from the Buyer of $200,000 is held in escrow and is refundable during the due diligence period. Providing the agreement has not been terminated or extended, and all the conditions of the agreement have been satisfied, the closing date may occur in May 2019. The Board had previously (October 2017) awarded the purchase and sale agreement to Los Coyotes Redevelopment, LLC, however on February 22, 2018, they asked for an additional 90 day extension of due diligence or they would terminate the escrow. On

NOTE 19: SUBSEQUENT EVENTS

February 27, 2018, the Board of Trustees denied the request and escrow was terminated. The District immediately went to the list of other firms who submitted a response to the RFP (10 responses were received) and began negotiations with Olson Urban Housing.

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,

California State Teachers' Retirement System - State Teachers' Retirement Plan	**2015**	**2016**	**2017**	**2018**
District's proportion of the net pension liability (assets)	0.0880%	0.0910%	0.0920%	0.0930%
District's proportionate share of the net pension liability (asset)	$ 51,424,560	$ 61,264,840	$ 74,410,520	$ 86,006,400
State's proportionate share of the net pension liability (asset) associated with the District	31,052,681	32,402,260	42,366,818	50,881,074
Total	$ 82,477,241	$ 93,667,100	$ 116,777,338	$ 136,887,474
District's covered payroll	$37.4 million	$37.3 million	$47.4 million	$50.6 million
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	137.64%	164.17%	156.88%	169.97%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.02%	70.04%	69.00%

California Public Employees' Retirement System - Schools Pool Plan	**2015**	**2016**	**2017**	**2018**
District's proportion of the net pension liability (assets)	0.2605%	0.2656%	0.2656%	0.2582%
District's proportionate share of the net pension liability (asset)	$ 29,573,093	$ 39,149,702	$ 51,152,660	$ 61,639,155
District's covered payroll	$27.5 million	$29.9 million	$30.8 million	$33.0 million
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	107.53%	131.00%	166.22%	186.79%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%	72.00%

California Public Employees' Retirement System - Miscellaneous Employer Plan (Auxiliary)	**2015**	**2016**	**2017**	**2018**
Auxiliary's proportion of the net pension liability (assets)	0.3624%	0.0803%	0.0369%	0.0329%
Auxiliary's proportionate share of the net pension liability (asset)	$ 2,254,982	$ 2,204,132	$ 3,197,081	$ 3,263,001
Auxiliary's covered payroll (1)	$ -	$ -	$ -	$ -
Auxiliary's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	76.50%	79.89%	75.87%	73.00%

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

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

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

California State Teachers' Retirement System - State Teachers' Retirement Plan	**2015**	**2016**	**2017**	**2018**
Contractually required contribution	$ 3,309,638	$ 5,089,273	$ 6,359,424	$ 7,552,499
Contributions in relation to the contractually required contribution	3,309,638	5,089,273	6,359,424	7,552,499
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$37.3 million	$47.4 million	$50.6 million	$52.3 million
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

California Public Employees' Retirement System - Schools Pool Plan	**2015**	**2016**	**2017**	**2018**
Contractually required contribution	$ 3,517,765	$ 3,646,749	$ 4,579,905	$ 5,419,021
Contributions in relation to the contractually required contribution	3,517,765	3,646,749	4,579,905	5,419,021
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$29.9 million	$30.8 million	$33.0 million	$34.9 million
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

California Public Employees' Retirement System - Miscellaneous Employer Plan (Auxiliary)	**2015**	**2016**	**2017**	**2018**
Auxiliary contractually required contribution	$ 534	$ -	$ -	$ -
Auxiliary contributions in relation to the contractually required contribution (1)	407,658	420,701	440,547	174,923
Auxiliary contribution deficiency (excess)	$ (407,124)	$ (420,701)	$ (440,547)	$ (174,923)
Auxiliary's covered payroll (2)	n/a	n/a	n/a	n/a
Auxiliary contributions as a percentage of covered payroll	0.00%	0.00%	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.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2017	2018
Service Cost	$ 2,270,442	$ 2,332,879
Interest	2,048,046	1,661,774
Assumption Changes	-	4,557,417
Benefit Payments	(2,709,554)	(2,817,936)
Net Change in Total OPEB Liability	1,608,934	5,734,134
Total OPEB Liability - beginning	35,561,906	37,170,840
Total OPEB Liability - ending (a)	$ 37,170,840	$ 42,904,974

Plan Fiduciary Net Position	2017	2018
Contributions - Employer	$ 2,774,262	$ 2,817,936
Net Investment Income	716,625	349,725
Investment Gains/Losses	-	91,971
Benefit Payments	(2,709,554)	(2,817,936)
Administrative Expense	(65,077)	(71,423)
Net Change in Plan Fiduciary Net Position	716,256	370,273
Plan Fiduciary Net Position - beginning	7,091,117	7,807,373
Plan Fiduciary Net Position - ending (b)	$ 7,807,373	$ 8,177,646
Net OPEB Liability- ending (a) - (b)	$ 29,363,467	$ 34,727,328
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	21.00%	19.06%
Covered payroll	$ 65,033,514	$ 71,362,047
Net OPEB liability as a percentage of covered-employee payroll	45.15%	48.66%

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

See the accompanying notes to the required supplementary information.

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

OPEB Contributions	2017	2018
Actuarially Determined Contribution (ADC)	$ 5,153,982	$ 4,112,718
Contributions in relation to the ADC	2,774,262	2,817,936
Contribution deficiency (excess)	$ 2,379,720	$ 1,294,782
District's covered payroll	$ 65,033,514	$ 71,362,047
Contributions as a percentage of covered-employee payroll	4.27%	3.95%

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2018

	June 30, 2017	June 30, 2018
Annual money-weighted rate of return, net of investment expense	4.66%	-0.69%

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

See the accompanying notes to the required supplementary information.

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

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

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

Schedules of District Pension Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

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

Schedule of Changes in the Net OPEB Liability and Related Ratios

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

Benefit changes – None

Changes of Assumptions - The discount rate and expected rate of return on assets was changed from 5.8% to 4.5%.

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

Actuarially determined contribution rates are calculated as of July 1, 2017, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	4.5%
Health Care Trend Rate	4%

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

NOTE 1: PURPOSE OF SCHEDULES

Mortality rates were based on the 2009 rates used by CalSTRS and the 2014 rates used by CalPERS for pension valuations.

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

SUPPLEMENTARY INFORMATION

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

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. The District 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, 2018 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Mr. Jeffrey A. Kellogg[1]	President	July 2018
Ms. Sunny Zia	Vice President	December 2022
Dr. Virginia L. Baxter	Member	December 2022
Ms. Vivian Malauulu	Member	December 2020
Mr. Douglas W. Otto	Member	December 2020
Mr. Donnell Jones	Student Trustee	May 2019

DISTRICT ADMINISTRATORS

Dr. Reagan F. Romali	Superintendent/President
Ms. Marlene Dunn	Vice President, Business Services
Dr. Kathleen Scott	Vice President, Academic Affairs
Dr. Kim McGinnis[2]	Vice President, Student Support Services
Ms. Rose Del Gaudio[3]	Vice President, Human Resources

[1] Effective July 1, 2018, Mr. Uduak-Joe Ntuk was elected as member to the Board of Trustees.
[2] Effective July 1, 2018, Dr. Mike Munoz is the Vice President, Student Support Services.
[3] Effective July 1, 2018, Gene Duran is the Interim Vice President of Human Resources.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Education			
Student Financial Aid Cluster			
Direct:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	n/a	$ 777,922
Administrative Allowance - Campus Based Programs	84.000	n/a	89,726
Federal Work Study (FWS)	84.033	n/a	646,949
Administrative Allowance - Pell	84.063	n/a	50,505
Pell Grant	84.063	n/a	35,900,391
William D. Ford Direct Loan Program	84.268	n/a	3,042,781
Total Student Financial Aid Cluster			40,508,274
TRIO Cluster			
Direct:			
Student Support Services-Project Go	84.042A	n/a	251,464
Upward Bound	84.047A	n/a	410,862
Total TRIO Cluster			662,326
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)	805,537
Career Technical Education Transitions	84.048A	(1)	41,592
Total Career Technical Education			847,129
Total Department of Education			42,017,729
Department of Agriculture			
Direct:			
Child Nutrition Program	10.558	n/a	60,876
Department of Commerce			
Direct:			
B2B Market Development Cooperator Program	11.112	n/a	102,641
Department of Labor			
Direct:			
Trade Adjustment Assistance Community College Career Training (TAACCCT) - Alternative Pathways to Engineering Education and Careers	17.282	n/a	314,445
U.S Small Business Administration			
Direct:			
Small Business Development Center (SBDC)	59.037	n/a	3,710,087

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, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Veterans Affairs			
Direct:			
Post 9/11 Veteran Education Assistant -GI Bill Chapter 33	64.028	n/a	201,820
Department of Health and Human Services			
Pass-Through Program from the California Department of Education:			
Child Care and Development Fund Cluster			
Child Care and Development Block Grant	93.575	(1)	15,666
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	(1)	34,079
Total Child Care and Development Fund Cluster			49,745
Pass-Through Program from the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	110,453
Foster Care - Title IV - E	93.658	(1)	105,161
Total Department of Health and Human Services			265,359
Corporation for National and Community Service (CNCS)			
Direct:			
AmeriCorps National Service Awards	94.006	n/a	72,656
Total Federal Grants			$ 46,745,613
Amount Provided of Subrecipients			
Small Business Development Center (SBDC)	59.037	n/a	
Economic Development Collaboration - Ventura			$ 357,437
El Camino Community College District			312,943
Los Angeles Chamber of Commerce			231,520
Pacific Coast Regional Small Business Development Corporation			255,012
Pasadena Community College District			201,149
Santa Clarita Community College District			341,401
University of La Verne			209,510
			$ 1,908,972

(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
For the Fiscal Year Ended June 30, 2018

	Program Revenues					Total
Program Name	Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:						
Access to Print and Electronic Info	$ 11,549	$ -	$ -	$ -	$ 11,549	$ 11,549
Adult Education	2,166,491	-	1,135,280	-	1,031,211	1,031,211
Basic Skills	872,953	-	262,266	-	610,687	610,687
Board Financial Assistance Program (BFAP) - Student Financial Aid Administration (SFAA)	862,526	-	-	-	862,526	862,526
Cal Grant	2,638,815	-	-	236,452	2,402,363	2,402,363
CalWORKs	634,695	-	-	-	634,695	634,695
Childcare Taxbailout	55,092	-	-	-	55,092	55,092
Community College Completion Grant	234,750	-	-	-	234,750	234,750
Cooperative Agencies Resources for Education (CARE)	248,795	-	-	-	248,795	248,795
Deaf and Hard of Hearing	306,115	-	-	-	306,115	306,115
Disabled Student Program and Services (DSPS)	1,326,577	-	-	-	1,326,577	1,326,577
Equal Employment Opportunity	80,511	-	42,798	-	37,713	37,713
Extended Opportunities Program and Services (EOPS)	1,656,742	-	-	-	1,656,742	1,656,742
Foster Care Education Program	129,818	-	-	-	129,818	129,818
Full Time Student Success Grant	1,263,625	-	134,993	-	1,128,632	1,128,632
Part-Time Faculty Compensation	440,636	-	-	-	440,636	440,636
Physical Plant and Instructional Planning - Block Grant	2,246,248	-	520,077	-	1,726,171	1,726,171
Strong Workforce Program	3,470,331	-	2,517,737	-	952,594	952,594
Student Equity	3,749,201	-	360,917	-	3,388,284	3,388,284
Student Success and Support Program (SSSP) - Credit	3,468,564	-	25,339	-	3,443,225	3,443,225
Student Success and Support Program (SSSP) - Non-Credit	141,357	-	-	-	141,357	141,357
Veterans Resource Center	74,858	-	71,895	-	2,963	2,963
Total State Categorical Aid Programs	$ 26,080,249	$ -	$ 5,071,302	$ 236,452	$ 20,772,495	$ 20,772,495

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL)
For the Fiscal Year Ended June 30, 2018

Categories	Annual - Factored FTES Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit[1]	65.20	-	65.20
2. Credit[1]	407.18	-	407.18
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit[1]	-	-	-
2. Credit[1]	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,015.27	-	14,015.27
(b) Daily Census Contact Hours	1,306.89	-	1,306.89
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	463.77	-	463.77
(b) Credit[1]	383.21	-	383.21
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,357.00	-	1,357.00
(b) Daily Census Contact Hours	916.53	-	916.53
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	18,915.05	-	18,915.05
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	500.38	-	500.38
(b) Credit[1]	919.11	-	919.11
CCFS 320 Addendum			
CDCP Noncredit FTES	405.87	-	405.87
Centers FTES			
(a) Noncredit[1]	3,462.07	-	3,462.07
(b) Credit[1]	410.97	-	410.97

[1] Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 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, 2018 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	$ 30,220,553
Restricted General Fund Balance	4,739,721
Bond Interest and Redemption Fund Balance	28,398,711
Bond Construction Fund Balance (2008 and 2016 Election)	54,531,791
Capital Projects Fund Balance	21,910,894
Child and Adult Development Fund Balance	1,515,246
Other Special Revenue Funds Balance (Veteran's Stadium Operation and Contract/Community Education)	1,014,680
Other Trust Fund Balance (Retiree Benefits)	29,986,615
Student Financial Aid and Trust Fund Balance	121,523
Self Insurance Fund Balance	3,441,199
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	175,880,933
Auxiliary (not reported on CCFS-311)	3,277,178
Total Ending Fund Balance	$ 179,158,111

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, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 179,158,111
Amounts reported for governmental activites in the statement of net position are different because:	
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. Net capital asset of $17,363 are already reported in the Auxiliary Fund.	396,844,013
Amounts for 2017-18 property taxes levied for debt service not received as of June 30, 2018 are accrued on the statement of net position which increases the total net assets reported.	4,049,054
Deferred outflows associated with advanced refunding of debt	23,697,316
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.	46,222,819
Deferred outflows associated with other postemployment retirement benefits costs result from contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net other postemployment retirement benefits liability or amortized to benefits expense, as applicable, in subsequent periods.	4,082,686
Compensated absences and load banking are not due and payable in the current period and therefore are not reported in the governmental funds. However, the District has recorded compensated absences of $182,922 in the Unrestricted General Fund.	(5,429,332)
Interest expense related to bonds incurred through June 30, 2018 is accrued as a current lability on the statement of net position which reduces the total net assets reported.	(4,257,658)
Estimated claims liability for self-insured risk of loss is not accrued in the governmental funds.	(194,828)
Liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(538,499,494)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(150,908,556)
The liability associated with other postemployment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(34,727,328)
The liability associated with supplemental employee retirement plans is not due and payable in the current period, and therefore is not reported as a liability in the governmental funds.	(4,932,288)
Deferred inflows of resources associated with pensions result from actuarially determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(5,234,916)
Deferred inflows of resources associated with other postemployment retirement benefits result from actuarially determined adjustments. These amounts will be amortized to other postemployment retirement benefits expense in subsequent periods.	(91,971)
Amounts held in an irrevocable trust for other postemployment retirement benefits are reported in the trust statement of net position.	(8,177,646)
Total net position	$ (98,400,018)

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, 2018

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	$ 26,781,495	$ -	$ 26,781,495	$ 26,781,495	$ -	$ 26,781,495
Instructional Salaries - Other	1300	16,167,823	-	16,167,823	16,167,823	-	16,167,823
Total Instructional Salaries		42,949,318	-	42,949,318	42,949,318	-	42,949,318
Non-Instructional Salaries - Contract or Regular	1200			-	9,305,395		9,305,395
Non-Instructional Salaries - Other	1400			-	1,105,824		1,105,824
Total Non-Instructional Salaries		-	-	-	10,411,219	-	10,411,219
Total Academic Salaries		42,949,318	-	42,949,318	53,360,537	-	53,360,537
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100	-	-	-	21,648,964	-	21,648,964
Non-Instructional Salaries - Other	2300	-	-	-	1,390,507	-	1,390,507
Total Non-Instructional Salaries		-	-	-	23,039,471	-	23,039,471
Instructional Aides - Regular Status	2200	2,525,679	-	2,525,679	2,525,679		2,525,679
Instructional Aides - Other	2400	836,572	-	836,572	836,572		836,572
Total Instructional Aides		3,362,251	-	3,362,251	3,362,251		3,362,251
Total Classified Salaries		3,362,251	-	3,362,251	26,401,722	-	26,401,722
Employee Benefits	3000	20,564,889	-	20,564,889	36,834,500		36,834,500
Supplies and Materials	4000	-	-	-	731,338		731,338
Other Operating Expenses	5000			-	8,810,691		8,810,691
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		66,876,458	-	66,876,458	126,138,788	-	126,138,788
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	558,623		558,623	558,623		558,623
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-			-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	62,518		62,518
Objects to Exclude							
Rents and Leases	5060			-	70,043		70,043
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			-	3,336,344		3,336,344
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		558,623	-	558,623	4,027,528	-	4,027,528
Total for ECS 84362, 50% Law		66,317,835	-	66,317,835	122,111,260	-	122,111,260
Percent of CEE (Instructional Salary Cost/Total CEE)		54.31%	0%	54.31%	100%	0%	100%
50% of Current Expense of Education					61,055,630	-	61,055,630

See the accompanying notes to the supplementary information.

LONG BEACH COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 16,746,867
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 16,746,867	$	$	$ 16,746,867
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		$ 16,746,867	$ -	$ -	16,746,867
Revenue less Expenditures					-

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	(Budget) 2019 Amount	2018 Amount	2017 Amount	2016 Amount
Combined General Fund:				
Revenue				
Federal	$ 6,380,397	$ 6,969,541	$ 8,605,803	$ 7,497,620
State	121,410,352	112,466,031	106,860,454	117,958,362
County, local, and other	47,805,910	49,944,835	46,075,651	39,965,361
Other Financing Sources	360,675	323,339	345,577	335,102
Total Revenue	175,957,334	169,703,746	161,887,485	165,756,445
Expenditures				
Academic salaries	58,436,299	57,566,489	53,689,349	54,712,690
Classified salaries	38,208,696	36,995,878	35,013,451	32,485,893
Employee benefits	45,777,531	42,433,709	38,002,900	36,225,614
Supplies and materials	4,596,411	2,422,677	2,652,089	2,143,810
Other operating expenses and services	26,037,259	22,866,379	21,439,061	19,955,980
Capital outlay	3,773,295	3,557,970	5,487,203	5,972,552
Other uses	3,251,169	3,852,447	2,984,878	10,880,720
Total Expenditures	180,080,660	169,695,549	159,268,931	162,377,259
Change in fund balance	$ (4,123,326)	$ 8,197	$ 2,618,554	$ 3,379,186
Ending fund balance	$ 30,836,948	$ 34,960,274	$ 34,952,077	$ 32,333,523
Available reserve	$ 20,351,313	$ 22,022,662	$ 18,987,782	$ 19,392,060
Available reserve %	11.3%	13.0%	11.9%	11.9%
Full-time equivalent students	20,133	18,915	21,076	19,077
Total long term debt	$ 646,593,999	$ 680,107,535	$ 671,245,026	$ 543,135,650

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 2019 budget is the Plan and Budget adopted by the Board of Trustees on September 12, 2018.

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. The 2016 balance have not been adjusted for the adoption of GASB Statements No. 74 and 75.

LONG BEACH COMMUNITY COLLEGE DISTRICT

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

	Combined General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	$ 845,486	$ 787,181	$ (58,305)
Temporary Assistance for Needy Families (TANF)	110,453	110,453	-
Veterans Education	180,000	204,783	24,783
Vocational and Technical Education Act	847,128	847,129	1
Other Federal Revenue	7,909,261	5,019,995	(2,889,266)
Revenue from State Sources			
General Apportionment	80,180,302	76,752,010	(3,428,292)
Categorical Apportionment	21,543,319	11,950,955	(9,592,364)
Other State Revenues	22,164,858	23,763,066	1,598,208
Revenue from Local Sources			
Property Taxes	31,578,163	35,222,019	3,643,856
Interest and Investment Income	400,000	576,163	176,163
Student Fees and Charges	8,386,239	8,256,513	(129,726)
Other Local Revenue	5,603,914	5,890,140	286,226
TOTAL REVENUES	179,749,123	169,380,407	(10,368,716)
EXPENDITURES			
Academic Salaries	57,935,573	57,566,489	369,084
Classified Salaries	37,900,353	36,995,878	904,475
Employee Benefits	44,725,449	42,433,709	2,291,740
Supplies and Materials	4,654,792	2,422,677	2,232,115
Other Operating Expenses and Services	35,991,636	22,866,379	13,125,257
Capital Outlay	4,150,713	3,557,970	592,743
TOTAL EXPENDITURES	185,358,516	165,843,102	19,515,414
Excess of revenue over expenditures	(5,609,393)	3,537,305	9,146,698
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	323,591	323,339	(252)
Interfund Transfers Out	(2,669,251)	(2,523,452)	145,799
Student Financial Aid	(1,353,317)	(1,328,995)	24,322
TOTAL OTHER FINANCING SOURCES (USES)	(3,698,977)	(3,529,108)	169,869
Excess (deficiencies) of revenues over expenditures and other sources (uses)	$ (9,308,370)	8,197	$ 9,316,567
Fund Balance, beginning of year		34,952,077	
Fund Balance, end of year		$ 34,960,274	

See the accompanying notes to the supplementary information.

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

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 government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

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

Federal Loan Programs

The District administers the following federal loan programs:

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Outstanding Balance at June 30, 2018
Student Financial Aid Loan Program			
Perkins program	84.038	n/a	$ 265,463

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.

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

NOTE 1: PURPOSE OF SCHEDULES

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, 2018 *Annual Financial and Budget Report* (CCFS-311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2018 *Annual Financial and Budget Report* (CCFS-311), based upon the modified accrual basis of accounting, and the total net position reported on the audited financial statements based on the full accrual basis of accounting.

Reconciliation of 50 Percent Law Calculation

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

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Propositions 30 and 55 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 AUDITORS' REPORT

CliftonLarsonAllen LLP
CLAconnect.com

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

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 30, 2018

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' 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, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-01. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with 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 a 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

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

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-01, that we consider to be a significant deficiency

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 30, 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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 *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the *2017-18 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 AUDITORS' REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Section	Description	Procedures Performed
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	Dual Enrollment - College and Career Access Pathways (CCAP) and Non-CCAP	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D and 51 State Bond Funded Projects	Yes
491	Education Protection Account (EPA) 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, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-18 Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 30, 2018

FINDINGS AND QUESTIONED COSTS

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?	X	*Yes*		*None Reported*
Type of auditors' report issued on compliance for major federal programs:				*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	*Yes*		*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.000, 84.033, 84.063, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs:				$1,368,441
Auditee qualified as low-risk auditee?	X	*Yes*		*No*

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS June 30, 2018

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

2018-001 STUDENT FINANCIAL AID CLUSTER: SPECIAL TESTS AND PROVISIONS – STUDENT WITHDRAWALS

Federal Program: Student Financial Aid Cluster
CFDA Number: 84.007, 84.000, 84.033, 84.063, 84.268
Award Period: July 1, 2017 through June 30, 2018
Federal Agency: Department of Education

Type of Finding: Significant deficiency in Internal Control over Compliance, Compliance.

Criteria: The institutional portion of unearned aid is to be returned to the appropriate Title IV Higher Education Act (HEA) program or Federal Family Education Loan ("FFEL") lender no later than 45 days after the date of the institution's determination that the student withdrew (34 CFR Section 668.173 (b)).

Furthermore, the institution must disburse directly to a student any post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must notify the student within 30 days after the date of the institution's determination that the student withdrew and disburse no later than 180 days within the students response (34 CFR Section 668.22 (b)).

Condition: During our testing we noted that the District did not return 22 out of 35 (63% of the students tested) to the appropriate program or lender within the 45 day requirement. The Return to Title IV calculation for the remaining students in the sample resulted in no amounts owed by the institution.

Furthermore, we noted the District did not notify the student regarding the post withdrawal disbursements for 5 out of 5 students (100% of the students tested).

Context: We selected a sample of 40 students who had received Federal aid and had withdrawn from courses offered by the District during the 2017-18 fiscal year. The sample consisted of 35 student with Return to Title IV calculations and 5 students requiring student notification.

Effect: For the cases identified, the District Return to Title IV funds were not returned to the appropriate program or lender within the 45 day requirement and students had not been notified.

Cause: The District's current processes and procedures did not result in the return of the institutions share to the appropriate program or lender within the 45 day requirement or the notification to students within the 30 day requirement.

Total Program Expenditures: $40,508,274

Questioned Costs and Units: None. Amounts were calculated timely and correctly, but the institutions share was not returned to the appropriate program or lender within the 45 day

2018-001 STUDENT FINANCIAL AID CLUSTER: SPECIAL TESTS AND PROVISIONS – STUDENT WITHDRAWALS

requirement or the notification to students within the 30 day requirement.

Recommendation: We recommend the District to implement controls to ensure the Title IV funds are returned to the appropriate program or lender and the notification and direct disbursements to students are performed in accordance with requirement time lines.

Corrective Action Plan: Long Beach Community College District has implemented parts of the corrective action plan and will implement the additional steps, as outlined below:

1. On November 9, 2018 the college implemented the automated Return to Title IV process that is delivered with its PeopleSoft SIS and utilized the system for the 2018-2019 aid year. The process enables two Financial Aid Accounting Technicians to perform Return to Title IV calculations and the required return of funds and post-withdrawal disbursements on the following schedule:

    - The Return to Title IV calculations report is run and processed at least weekly.

    - Students are notified of their debt or eligibility for a post-withdrawal disbursement by email within 5 working days and are instructed to pay their portion of the debt or accept the PWD within 30 days. Notifications are generated manually at this time, but are in the process of being automated.

    - Funds subject to return are returned by the institution to the appropriate issuing program or lender no later than 45 days after determination of the student's withdrawal and overpayment.

      The process was first utilized for Fall 2018 and is being tested for accuracy on an ongoing basis during this first term of use by the Financial Aid Accounting Technicians, along with the PeopleSoft Consultant from Highstreet IT Solutions.

2. Dr. Mike Munoz, Vice President Student Support Services, has reviewed the structure of the Financial Aid area in relation to this finding and has determined that a reorganization with additional staffing is required. As such, the District is splitting Financial Aid operations from Enrollment Services and is hiring a permanent Senior Director of Financial Aid, with an anticipated hire by January 2019.

3. A former Enrollment Services Supervisor, with Return to Title IV experience, will be permanently reassigned to the Financial Aid department effective December 14, 2018. This individual will be tasked with monitoring and verifying both the accuracy and timeliness of Return to Title IV processes monthly, beginning with the month of December 2018.

2018-001 STUDENT FINANCIAL AID CLUSTER: SPECIAL TESTS AND PROVISIONS – STUDENT WITHDRAWALS

4. This supervisor is revising the procedural guide for Return to Title IV processing, including post-withdrawal disbursements. The guide will include required timelines for each process, proper segregation of duties to ensure internal controls exist and the process to monitor the accuracy and timeliness of the Return to Title IV process every term. The updated guide will be completed by December 14, 2018. The Supervisor will also be responsible for revising the guide as needed.

5. Once hired, the Senior Director of Financial Aid will be tasked with ensuring that the updated Return to Title IV processes are being followed, each semester. The Director will also ensure that processes are updated to reflect new legal requirements set forth by the Department of Education.

LONG BEACH COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS

June 30, 2018

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

LONG BEACH COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the year ended June 30, 2018.

CONTINUING DISCLOSURE INFORMATION

LONG BEACH COMMUNITY COLLEGE DISTRICT

CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2018

Assessed valuation for fiscal year 2017-18	$558,767,900,340	(2)
Secured tax levies for fiscal year 2017-18	$12,103,207	(1)
Secured tax delinquencies for fiscal 2017-18	$444,510	(1)
Secured tax collections for fiscal year 2017-18	$11,658,697	(1)

2017-18 Largest Local Secured Taxpayers (2)

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total[3]
1.	Participants in Long Beach Unit	Industrial – Petroleum	$763,318,502	1.30%
2.	Hanjin America Inc.	Industrial – Terminal Operations	425,593,000	0.72
3.	Macerich Lakewood LLC	Shopping Center	346,279,128	0.59
4.	International Trans Service	Industrial – Terminal Operations	337,302,570	0.57
5.	OOCL LLC	Industrial – Terminal Operations	234,417,849	0.40
6.	The Boeing Company	Industrial	228,872,961	0.39
7.	Tidelands Oil Production Co.	Industrial – Petroleum	210,801,818	0.36
8.	SSAT Long Beach LLC	Industrial – Terminal Operations	203,892,483	0.35
9.	Tesoro Logistics Operations LLC	Shopping Center	201,625,873	0.34
10.	AGNL Clinic LP	Apartments	194,404,625	0.33
11.	Pacific Maritime Services LLC	Industrial – Terminal Operations	181,098,000	0.31
12.	W GL Ocean Avenue LB Holdings	Office Building	171,891,703	0.29
13.	Massachusetts Mutual Life Insurance	Shopping Center	168,061,570	0.29
14.	Kilroy Realty LP	Office Building	158,351,420	0.27
15.	2009 CUSA Community Owner LLC	Apartments	152,409,288	0.26
16.	Signal Hill Petroleum	Industrial – Petroleum	152,189,336	0.26
17.	John Hancock Insurance	Apartments	143,121,248	0.24
18.	Hyatt Long Beach	Hotel	121,646,514	0.21
19.	Terra Funding Shoreline Square	Apartments	107,420,155	0.18
20.	Toyota Motor Sales USA Inc.	Automobile Import	101,545,000	0.17
			4,604,243,043	7.83%

(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 2017-18 of $558,767,900,340