LODI UNIFIED SCHOOL DISTRICT

COUNTY OF SAN JOAQUIN
LODI, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2018

LODI UNIFIED SCHOOL DISTRICT

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LODI UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Lodi Unified School District
Lodi, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lodi Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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 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 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 District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 8, 2018

This section of the Lodi Unified School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources exceeded the liabilities and deferred inflow of resources of the District at June 30, 2018 by $178 million (net position).

- Net position increased by $24 million over the previous fiscal year primarily due to increased Local Control Funding Formula (LCFF) apportionments as well as federal and other state revenue.

- The Governmental Accounting Standards Board (GASB) released a new accounting standard, GASB 75 ("Statement") for public sector post-retirement benefit programs and employers that sponsors them to replace GASB 45. The Statement provides accounting and financial reporting guidance for governments that provide Other Postemployment Benefits (OPEB) to their employees, and significantly alters the measurement and reporting standards previously in place under GASB 45. One of the main changes includes the full recognition of the total OPEB liability on the balance sheet instead of as a note disclosure, bringing more focus onto OPEB liabilities and related deferred outflows/inflows. Also, OPEB cost is no longer calculated based on the annual required contribution. Instead, OPEB expense includes service cost, interest cost, change in total OPEB liability due to plan changes and all adjusted for deferred inflows and outflows. The Statement took effect during the District's fiscal year ending June 30, 2018.

- As of June 30, 2018, the District's governmental funds reported combined ending fund balances of $209 million, an increase of $23 million in comparison with prior year. Of this total amount:

  - $64 million (31 percent) reflects the General Fund ending balance,

  - $95 million (46 percent) represents the ending balances of capital project funds, and

  - $50 million (23 percent) comprises the ending balances of special revenue and debt service funds.

- The unrestricted portion of ending balance for the General Fund is $54 million at June 30, 2018, of which $31 million is assigned to instruction, anticipated negotiation settlements, future increased contributions to California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and other commitments. The remaining balance of $23 million is unassigned and is part of the required reserve for economic uncertainties including additional reserves due to deficit spending and K-3 grade span adjustment protection.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three separate parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives: government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
  - Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balances remaining for future one-time spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (such as self-insurance funds) are provided in the proprietary funds statements.
  - Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements.
- The required supplementary information section provides further explanations and additional support for the financial statements. A comparison of the District's budget for the year is included. Budgetary comparisons of the General Fund and the Cafeteria Fund (a major special revenue fund) are included in this section.

Government-wide Statements

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, liabilities and deferred outflow and inflow of resources are included in the statement of net position. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District net position can be measured by adding the District's assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities. The governmental activities are the basic services provided by the District, such as regular and special education, administration, and transportation, and are included here. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.

- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). These funds may also show proper usage of certain revenues (such as grants from federal and state sources).

The District has three kinds of funds:

- **Governmental funds**: Most of the District's basic services are included in governmental funds, which generally focus on:

    1. How cash and other financial assets can readily be converted to cash flow (in and out).

    2. The ending balances available for one-time spending.

  The governmental fund statements provides a detailed short-term view of the District's financial position and whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explains the differences (or relationships) between them.

- **Proprietary funds**: Services for which the District charges a fee are generally reported in a proprietary fund. A type of proprietary fund is the internal service fund which reports activities that provide services for the other programs and activities of the District. Proprietary funds are reported in the same way as the government-wide statements.

  The District maintains two internal service funds for self-insurance. One of the Self-Insurance Fund reports the activities for workers' compensation, self-insured retention portion of property and liability, and vision and dental benefits. The other Self-Insurance Fund – OPEB reports the activities related to retiree benefits.

- **Fiduciary funds**: For assets that belong to others, such as the associated student body funds and payroll tax account, the District acts as the trustee, or fiduciary. The District has the responsibility for ensuring that assets are used for their intended purpose; and also that they are used by those to whom the assets belong. These assets are excluded from the government-wide financial statements because the funds cannot be used by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS WHOLE

Table 1 summarizes the District's net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $178 million at June 30, 2018. The unrestricted net position was negative $242 million due primarily to recognizing net pension liability of $313 million and OPEB liability of $67 million. Net investment in capital assets (e.g., land, building and equipment) was $281 million of the net position. The District uses these assets to provide educational services; therefore, they are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. And lastly, resources subject to external restrictions accounted for $138 million of net position of which $74 million are unspent Measure U bond proceeds.

Table 1
Net Position

	2017	2018	Percent Change
Current and Other Assets	$ 290,232,310	$ 322,783,280	11.22%
Capital Assets	430,216,560	429,856,929	-0.08%
Total Assets	720,448,870	752,640,209	4.47%
Deferred outflow of resources related to pensions	65,789,227	89,821,340	36.53%
Deferred outflow of resources related to OPEB	1,501,729	1,739,055	15.80%
Deferred amount on debt refunding	2,472,267	2,930,482	18.53%
Total Deferred Outflow of Resources	69,763,223	94,490,877	35.45%
Long-Term Liabilities Outstanding	601,289,439	620,641,945	3.22%
Other Liabilities	26,362,453	27,205,827	3.20%
Total Liabilities	627,651,892	647,847,772	3.22%
Deferred inflow of resources related to pensions	8,272,959	21,198,339	156.24%
Net Investment in Capital Assets	277,360,725	281,292,570	1.42%
Restricted	128,741,368	138,340,781	7.46%
Unrestricted	(251,814,851)	(241,548,376)	-4.08%
Total Net Position	$ 154,287,242 *	$ 178,084,975	15.42%

*Restated due to cumulative effect of change in accounting principle

Table 2 shows the changes in net position. Total revenues for the District as a whole increased by $28 million to $391 million, while the total cost of all programs and services for the District as a whole increased by $23 million to $367 million. Net position increased by $24 million due to increased LCFF apportionments, operating grants, and tax collection for bond payments.

Table 2
Changes in Net Position

	2017	2018	Percent Change
Revenues			
Program Revenues (Restricted)			
Charges for Services	$ 2,735,307	$ 2,781,855	1.70%
Operating Grants	73,491,802	83,214,677	13.23%
General Revenues			
Property Taxes	62,109,400	72,674,999	17.01%
Federal and state aid-Unrestricted	218,473,233	223,864,367	2.47%
Developer Fees	3,177,764	3,116,207	-1.94%
Other	2,449,909	4,916,388	100.68%
Total Revenues	362,437,415	390,568,493	7.76%
Program Expenses			
Instruction	211,701,661	225,780,916	6.65%
Instruction Related Services	31,558,436	34,455,010	9.18%
Pupil Services	41,869,313	44,683,505	6.72%
General Administration	19,728,547	19,203,289	-2.66%
Plant Services	30,005,818	32,548,606	8.47%
Interest	5,276,717	7,237,787	37.16%
Other	3,725,978	2,861,647	-23.20%
Total Expenses	343,866,470	366,770,760	6.66%
Increase/(Decrease) in Net Position	18,570,945	23,797,733	
Net Position - Beginning	135,716,297 *	154,287,242	
Net Position - Ending	$ 154,287,242	$ 178,084,975	15.42%

*Restated due to cumulative effect of change in accounting principle

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Governmental Functions

All governmental funds had total revenues and other financing sources of $413 million and expenditures and other financing uses of $389 million. These activities increased the combined fund balance by $23 million to $209 million. Table 3 shows the changes in fund balances from the prior year.

Table 3
Changes in Fund Balances

	2017	2018	Increase (Decrease)
General	$ 45,016,864	$ 64,007,756	$ 18,990,892
Charter School	1,187,941	1,420,103	232,162
Adult Education	998,422	791,399	(207,023)
Child Development	308,732	291,362	(17,370)
Cafeteria	7,253,836	7,006,828	(247,008)
Building	81,302,719	77,326,180	(3,976,539)
Capital Facilities	8,366,337	11,334,851	2,968,514
County School Facilities	6,482	-	(6,482)
Special Reserve Fund for Capital Outlays	10,880,605	6,584,868	(4,295,737)
Bond Interest and Redemption	15,677,643	23,447,236	7,769,593
Debt Service	14,484,360	16,418,482	1,934,122
Total	$ 185,483,941	$ 208,629,065	$ 23,145,124

Significant net changes in fund balances for the year were as follows:

- General Fund increased by $19 million due to added LCFF apportionments and Prop 39, as well as federal and other state revenue sources.
- Building Fund decreased by $4 million primarily due to working progress on Measure U.
- Special Reserve Fund for Capital Outlays decreased by $4 million due to spending down one-time discretionary funds set aside for capital outlays.
- Bond Interest and Redemption Fund increased by $8 million primarily due to additional tax collections payments for Measure U bonds.

General Fund Budgetary Highlights

Work on the 2017-18 general fund budget started with a review of the Governor's proposal in January 2017. The Governor's overall theme was a broad recognition of the increased risk of financial downturn in the future. While economic growth continues to remain strong, the Governor reminded everyone that a recession is a reality ~ it's just a matter of time. The Governor's office proposed an increase to the per-student funding in January in the form of a COLA of 1.48% and no additional progress toward LCFF full funding. Also included in the January proposal once again, was an amount for One Time discretionary funds for prior year mandated expenditures in the amount of $287 million dollars. The May Revise brought a slight increase to the COLA from 1.48% to 1.56% bringing the LCFF to 97% of full funding. The $287 million in one-time funds from January was increased to more than $1 billion. Additionally the Governor proposed $422.9 million to support school district energy projects from Proposition 39 – California Clean Energy Jobs Act. The Legislature included an additional $50 million in ongoing funding for the ASES Program in 2017-18. The on-going concerns for school districts across the state of rising costs and increased rates for CalSTRS and CalPERS retirement plans were still not addressed. Additional concerns to school districts is the rising cost due to the increases in the State minimum wage rates. The effect of the Governor's proposal along with the proposed Local Control Accountability Plan was reviewed by the Board of Education (Board) on June 6, 2017. Projected enrollment and cost projections were also reviewed with the Board on June 6, 2017. The District went through the annual process involving District staff, management and Superintendent review to provide a balanced budget and LCAP for Board approval on June 20, 2017.

The budget process continues to follow the Local Control Funding Formula structure and the Local Control and Accountability Plan requirements. The District continues with stable student enrollment. Financial updates were presented to the Board throughout the spring and fall of 2017 regarding the impact of the State budget. The District continued to monitor changes in enrollment and state funding levels during the course of fiscal year 2017-18. The district started early in the 2017-18 fiscal year creating committees and holding planning meetings to compile and share data for the LCAP and reviewing the prior year LCAP action items. The district has continuously updated the Board on the budget, expenditure calculations and enrollment changes as well as planning for the LCAP. Public education is nearing the end to GAP funding and well on our way to 100% Local Control Funding, currently at 97% implemented in 2017-18.

Business-type Funds

The assets and deferred outflows of resources in the Self-Insurance Fund exceeded liabilities by $11 million at June 30, 2018. The District uses these assets to provide for the claims and administration of its self-insured programs: worker's compensation, self-insured retention portion of property and liability, and vision and dental benefits. As of June 30, 2018, the incurred but not reported (IBNR) and reserve liabilities are fully funded for all the programs.

Beginning with fiscal year 2007-08, the District also uses a Self-Insurance Fund to account for the accumulation of funds and payment of retiree benefits. With the implementation of GASB 75, the District's a Net Other Post Employment Benefit (OPEB) Obligation as of June 30, 2018 is $67 million.

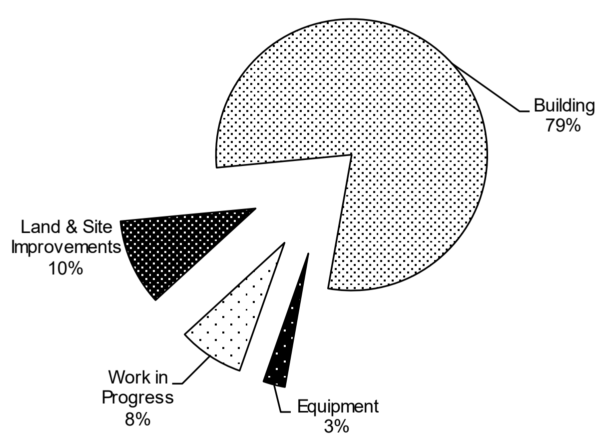
CAPITAL ASSET AND DEBT ADMINISTRATION

Table 4
Capital Assets
(net of depreciation)

	2017	2018	Percent Change
Land and Improvement of Sites	$ 44,565,030	$ 44,285,525	-0.63%
Building	347,909,513	340,816,373	-2.04%
Equipment	10,887,321	11,209,037	2.95%
Work in Progress	26,854,696	33,545,994	24.92%
Total Net Assets	$ 430,216,560	$ 429,856,929	-0.08%

By June 30, 2018 the District has invested $430 million in a broad range of capital assets, including school buildings, buses, computers and copiers, and administrative offices. This amount represents a net decrease of less than a half a million from last year. Figure 1 below graphically displays the percentage of capital assets by category.

Figure 1
Capital Assets
As of June 30, 2018



At June 30, 2018, the District has budgeted over $83 million for capital projects using the proceeds from the sale of bonds, Proposition 47 apportionments, one-time state discretionary funds, and developer fees. The amounts below represent the final projected budget for 2017-18 only and do not necessarily represent the total budget for the project as most projects span more than one fiscal year.

Table 5
Anticipated Projects

Project No.	Project	
8022	Playgrnd Imprv @ Silva	$ 100,000
8027	Jaesc Roof Restoration	343,000
8036	Prk/Plygrnd Imp @ Clairmont	6,000
8037	Liveoak Walkin Refrig-Freezer	295,000
8040	Joe Serna Relocation	350,000
8041	Bchs Fire Alarm Upgrade	367,000
8043	Parklane Fire Alarm Upgrade	101,000
8044	Wagner Holt Fire Alarm Upgrade	100,000
8053	Lockeford Prkng Drop Off Area	355,000
8056	Prkng Lot Sfty Imprv @ Westwd	100,000
8062	Lodi High Soccer Fld Lights	107,000
8090	Lab Conversion @ Bchs	509,000
8118	Tokay Hs Athletic Fld Imprv	8,337,000
8201	Westwood Roofing Project	404,000
8202	Bchs Painting Project	937,000
8203	Mcnair Painting Project	706,000
8204	J.Serna Roofing Project	246,000
8205	*Maintenance Ops Fac-Harney Ln	6,000
8206	Lhs Renovation Proj - Meas U	17,251,000
8207	Houston Modernization	3,213,000
8208	Lms Fire Alarm Upgrade	1,094,000
8210	Beckman Prkng Lot/Plygrnd	1,370,000
8216	Heritage Fire Alarm Upgrade	624,000
8217	Needham Modernization	4,595,000
8224	Live Oak Prkng Lot/Plygrnd	1,370,000
8231	Reese Prkng Lot/Plygrnd	1,442,000
8235	Victor Fire Alarm Upgrade	166,000
8247	Tokay Hs New & Modernization	6,600,000
8452	Accounting Renovation	166,000
8866	Storm Drain Pump Stn @ Mcnair	1,021,000
8934	Sch Fac Impv Dist Safety	656,000
8937	Mcnair Hs Athletic Fld Imprv	780,000
8957	Lhs Facility Renovations	302,000
8993	Maintenance Ops Fac-Guild	25,862,000
XXXX	Other Various Projects	3,414,000
	Total Anticipated	$ 83,295,000

At June 30, 2018, the District had $621 million in general obligation bonds and other long-term debt outstanding – an increase of 10 percent from last year as shown in the following Table 6.

Table 6
Long-Term Debt

	2017	2018	Percent Change
General Obligation Bonds	$ 210,908,396	$ 204,738,486	-2.93%
Certificates of Participation Payable	15,396,741	14,594,996	-5.21%
Capital Leases Payable	7,037,022	6,400,037	-9.05%
Claims Payable	12,712,972	13,616,514	7.11%
Net OPEB Obligation	22,272,091	66,751,143	199.71%
Other loan	10,000	-	-100.00%
Compensated Absences Payable	1,136,811	1,090,776	-4.05%
Net Pension Liability	293,153,377	313,449,993	6.92%
Total	$ 562,627,410	$ 620,641,945	10.31%

Significant changes to long-term debt were as follows:

- Net OPEB Obligation increased by $44 million due to the implementation of GASB 75.
- Net Pension Liability increased by $20 million primarily due to low investment returns during the measurement period of the net pension liability (June 30, 2017) as compared to the prior measurement period (June 30, 2016). Refer to Note 11 for further disclosures related to the net pension liability.

FACTORS BEARING ON THE DISTRICT FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- Full funding of LCFF and possible economic downturn in the near future will provide reduced new revenues.
- Significant increased costs and contributions to special education.
- Increased contributions to CalSTRS and CalPERS to cover projected liabilities for pension benefits earned to date.
- Aging infrastructure which will require major repairs, updates, replacement and renovation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact Mr. Leonard Kahn, Chief Business Officer, Lodi Unified School District, 1305 E. Vine, Lodi, CA 95240.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and equivalents	$ 305,184,082
Restricted cash and equivalents	4,948,171
Accounts receivable	11,647,535
Inventories	744,067
Prepaid items	259,425
Depreciable capital assets (net)	366,574,025
Nondepreciable capital assets	63,282,904
Total assets	752,640,209
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	89,821,340
Deferred outflows of resources related to OPEB	1,739,055
Deferred amount on debt refunding	2,930,482
Total deferred outflows of resources	94,490,877
LIABILITIES	
Accounts payable	24,487,254
Unearned revenue	2,718,573
Long-term liabilities, due within one year	26,429,444
Due in more than one year:	
Net OPEB liability	66,751,143
Net pension liability	313,449,993
Other long-term liabilities	214,011,365
Total liabilities	647,847,772
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	21,198,339
NET POSITION	
Net investment in capital assets	281,292,570
Restricted for:	
Capital projects	88,931,928
Debt service	31,988,862
Educational programs	5,319,131
Other purposes (expendable)	12,100,860
Unrestricted	(241,548,376)
Total net position	$ 178,084,975

The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 225,780,916	$ 16,718	$ 46,851,575	$ (178,912,623)
Instruction-related services:				
Instructional supervision and administration	11,670,630	305	5,809,473	(5,860,852)
Instructional library, media and technology	2,392,434		33,049	(2,359,385)
School site administration	20,391,946		904,476	(19,487,470)
Pupil services:				
Pupil transportation	6,492,743		300,087	(6,192,656)
Food services	17,393,988	2,538,725	13,974,448	(880,815)
Other pupil services	20,796,774	32,485	6,881,507	(13,882,782)
Plant services	32,548,606	58,823	5,261,544	(27,228,239)
Ancillary services	1,468,241		45,787	(1,422,454)
Enterprise activities	148,392		64,644	(83,748)
General administration:				
Data processing services	6,871,793		1,596	(6,870,197)
Other general administration	12,331,496	134,799	2,516,046	(9,680,651)
Interest and other charges	7,237,787			(7,237,787)
Bond issuance costs	119,850			(119,850)
Other outgo	1,125,164		570,445	(554,719)
Totals	$ 366,770,760	$ 2,781,855	$ 83,214,677	(280,774,228)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				51,993,987
Taxes levied for debt service				20,572,125
Taxes levied for other specific purposes				108,887
Federal and state aid not restricted to specific purposes				223,864,367
Developer fees				3,116,207
Interest and investment earnings				1,692,227
Interagency revenues				34,962
Miscellaneous revenue				3,189,199
Total general revenues				304,571,961
Increase in net position				23,797,733
Net position - beginning of year - as previously reported				191,447,542
Cumulative effect of change in accounting principles				(37,160,300)
Net position, beginning of year - as restated				154,287,242
Net position - ending				$ 178,084,975

LODI UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	$ 79,640,887	$ 4,516,587	$ 77,549,013	$ 54,112,783	$ 215,819,270
Restricted cash and cash equivalents				4,948,171	4,948,171
Accounts receivable	7,811,651	2,389,327	325,231	581,962	11,108,171
Due from other funds	18,220	185,095		2,165,949	2,369,264
Inventories	26,208	717,858			744,066
Prepaid items	259,428				259,428
Total assets	$ 87,756,394	$ 7,808,867	$ 77,874,244	$ 61,808,865	$ 235,248,370
LIABILITIES					
Accounts payable	$ 19,061,361	$ 552,540	$ 548,064	$ 1,369,768	$ 21,531,733
Due to other funds	2,310,953	1,971		56,075	2,368,999
Unearned revenue	2,376,324	247,528		94,721	2,718,573
Total liabilities	23,748,638	802,039	548,064	1,520,564	26,619,305
FUND BALANCES					
Nonspendable for:					
Revolving cash	120,000				120,000
Inventories	26,208	717,858			744,066
Prepaid items	259,428				259,428
Restricted for:					
Instruction	3,607,665			1,711,464	5,319,129
Maintenance	1,260,076				1,260,076
Clean energy	4,551,815				4,551,815
Debt service				31,988,862	31,988,862
Capital projects			77,326,180	11,605,748	88,931,928
Food services		6,288,970			6,288,970
Committed for:					
Instruction				791,400	791,400
Assigned for:					
Instruction:					
Special education	1,000,000				1,000,000
Purchase order commitments	437,819				437,819
Instructional materials	4,255,679				4,255,679
Future cost of benefits	10,000,000				10,000,000
Retain and Recruit	548,453				548,453
Safety and Security	2,000,000				2,000,000
ACA Penalty	425,000				425,000
One-Time Money Carryover	3,684,020				3,684,020
Mandated Block Grant Carryover	1,335,040				1,335,040
Site allocation carryforward	6,117,659				6,117,659
Contingency reserve	1,040,680				1,040,680
Capital projects				6,313,971	6,313,971
Debt service				7,876,856	7,876,856
Unassigned	23,338,214				23,338,214
Total fund balances	64,007,756	7,006,828	77,326,180	60,288,301	208,629,065
Total liabilities, deferred inflow of resources and fund balances	$ 87,756,394	$ 7,808,867	$ 77,874,244	$ 61,808,865	$ 235,248,370

The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance, governmental funds	$ 208,629,065
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is $599,374,738 and the accumulated depreciation is $169,517,809	429,856,929
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(2,897,739)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the statement of net position as follows:	
General obligation bonds	(204,738,486)
Certificates of participation	(14,594,996)
Capital leases payable	(6,400,037)
Compensated absences	(1,090,776)
Net pension liability	(313,449,993)
In governmental funds, deferred outflows and inflows of resources relating to pensions and refunding are not reported because they are applicable to future periods. In the statement of net position, deferred outflow and inflows of resources are reported as follows:	
Deferred outflows of resources related to pensions	89,821,340
Deferred outflows of resources resulting from deferred amount on refundings	2,930,482
Deferred inflows of resources related to pension	(21,198,339)
The District uses an internal service fund to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position.	11,217,525
Total net position, governmental activities	$ 178,084,975

LODI UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
State apportionments	$ 214,866,018			$ 2,572,604	$ 217,438,622
Local sources	47,140,703			602,006	47,742,709
Total local control funding formula	262,006,721			3,174,610	265,181,331
Federal revenues	20,917,862	$ 14,049,633		2,829,236	37,796,731
Other state revenues	48,579,268	897,366		3,463,822	52,940,456
Other local revenues	3,830,555	2,776,839	$ 611,647	24,084,079	31,303,120
Total revenues	335,334,406	17,723,838	611,647	33,551,747	387,221,638
EXPENDITURES					
Current:					
Instruction	204,583,004			5,494,153	210,077,157
Instruction-related services:					
Supervision of instruction	8,113,937			1,352,147	9,466,084
Administrative unit (AU) of multidistrict SELPA	1,648,502				1,648,502
Instructional library, media and tech	2,206,954			22,064	2,229,018
School site administration	18,815,436			395,747	19,211,183
Pupil services:					
Pupil transportation	6,328,637				6,328,637
Food services	1,199	16,696,046		873	16,698,118
Other pupil services	20,062,349			241,133	20,303,482
Ancillary services	1,691,695			800	1,692,495
Enterprise activities	144,743				144,743
General administration:					
Data processing services	6,112,096				6,112,096
Other general administration	11,892,730	875,934		401,050	13,169,714
Plant services	29,918,597	353,058	13,000	810,039	31,094,694
Debt service:					
Principal	219,848	3,732		7,288,405	7,511,985
Interest and other charges	50,244			9,692,518	9,742,762
Bond issuance costs				119,850	119,850
Capital outlay	880,190	42,076	4,548,078	4,165,486	9,635,830
Transfers to other agencies	554,719			570,445	1,125,164
Total expenditures	313,224,880	17,970,846	4,561,078	30,554,710	366,311,514
Excess (deficiency) of revenues over expenditures	22,109,526	(247,008)	(3,949,431)	2,997,037	20,910,124
OTHER FINANCING SOURCES (USES)					
Interfund transfers out	(3,118,634)		(30,430)	(1,006,544)	(4,155,608)
Refunding GO Bond issued				21,190,000	21,190,000
Payment to refunded bond escrow agent				(18,955,000)	(18,955,000)
Interfund transfers in			3,322	4,152,286	4,155,608
Total other financing sources (uses)	(3,118,634)		(27,108)	5,380,742	2,235,000
Increase (decrease) in fund balances	18,990,892	(247,008)	(3,976,539)	8,377,779	23,145,124
Fund balances - beginning	45,016,864	7,253,836	81,302,719	51,910,522	185,483,941
Fund balances - ending	$ 64,007,756	$ 7,006,828	$ 77,326,180	$ 60,288,301	$ 208,629,065

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds:	$ 23,145,124
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays ($12,253,529) exceeds depreciation expense ($12,465,499) in the period.	(211,970)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	26,466,985
Proceeds from debt and the related premium are recognized as Other Financing Sources in governmental funds. However, debt increases long-term liabilities in the statement of net position	(21,190,000)
Changes in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses/revenues when earned by employees.	46,035
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.	(294,895)
Capital projects cancelled or written off are charged to expense in the period the project is cancelled.	(147,662)
In government funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:	2,799,870
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	(9,189,885)
Internal service funds are used by management to charge the costs of certain activities, such as self insurance and retiree benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	2,374,131
Change in net position of governmental activities	$ 23,797,733

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Self-Insurance Fund
ASSETS	
Cash and equivalents	$ 89,364,814
Accounts receivable	539,364
Total assets	89,904,178
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	1,739,055
Total deferred outflows of resources	1,739,055
LIABILITIES	
Current Liabilities:	
Accounts payable	57,786
Due to other funds	265
Claims and judgments	1,310,341
Total current liabilities	1,368,392
Noncurrent Liabilities:	
Net OPEB obligation	66,751,143
Claims and judgments	12,306,173
Total noncurrent liabilities	79,057,316
Total liabilities	80,425,708
NET POSITION	
Unrestricted	11,217,525
Total net position	$ 11,217,525

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	Self-Insurance Fund
OPERATING REVENUES	
Charges for services	$ 16,832,278
Other local revenue	221,065
Total operating revenue	17,053,343
OPERATING EXPENSES	
OPEB benefit expense	7,318,752
Claims and administration	7,878,687
Total operating expense	15,197,439
Operating income	1,855,904
NON-OPERATING REVENUES	
Interest income	518,227
Increase in net position	2,374,131
Net position - beginning of year - as previously reported	46,003,694
Cumulative effect of change in accounting principles	(37,160,300)
Net position, beginning of year - as restated	8,843,394
Net position - ending	$ 11,217,525

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	$ 17,299,381
OPEB benefit payments	(1,739,055)
Claims paid	(2,148,300)
Payments on behalf of employees	(175,621)
Payments to suppliers	(4,636,764)
Net cash and equivalents provided by operating activities	8,599,641
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	518,227
Net increase in cash and equivalents	9,117,868
Cash and equivalents – beginning of year	80,246,946
Cash and equivalents – end of year	$ 89,364,814
RECONCILIATION OF OPERATING INCOME TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,855,904
Changes in operating assets and liabilities:	
Accounts receivable	250,556
Accounts payable	14,461
Due to other funds	(4,518)
Net OPEB obligation and related deferred outflows	5,579,696
Claims and judgments	903,542
Net cash and equivalents provided by operating activities	$ 8,599,641

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and equivalents	$ 2,489,303
LIABILITIES	
Due to student groups and other agencies	$ 2,489,303

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Lodi Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has sponsored five charter schools: Aspire Vincent Shalvey Academy, Aspire River Oaks Charter School, Aspire Benjamin Holt College Preparatory Academy, Aspire Benjamin Holt Middle School and Rio Valley Charter School. In determining its reporting entity, the District considered whether these charter schools should be included. The District determined that these charter schools do not meet the above criteria primarily because Aspire Public Schools and Rio Valley Charter School have been established as non-profit public benefit corporations. The charter agreements specify that the District does not participate in the management or operation of these charter schools, and that the charter schools shall indemnify and hold harmless the District against all loss caused by the charter schools. In addition, Education Code Section 47604(c) specifies that a district shall not be liable for the debts or obligations of a charter school operated by a non-profit public benefit corporation.

The District and the Lodi Unified School District Capital Facilities Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporation as a component unit of the District. The Corporation's board members are the same as the District's board members.

The Corporation is a non-profit public benefit corporation incorporated under the laws of the State of California on March 2, 1990. The Corporation was formed to provide financial assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities and is the sole lessee of all facilities owned by the Corporation. The District's lease payments are the sole revenue source of the Corporation.

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity within the Special Reserve Fund for Capital Outlay and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of internal service funds are charges to other funds for employee self-insurance claims and post-employment benefit payments. Operating expenses of internal service funds include the costs of insurance premiums and claims related to self-insurance and post-employment benefits.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined "available" as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward, restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, internal service, and fiduciary funds as follows:

Major Governmental Funds

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Cafeteria Fund**, a special revenue fund, is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Building Fund**, a capital projects fund, is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The **Adult Education Fund** is used to account for resources committed to adult education programs maintained by the District.

The **Child Development Fund** is used to account revenues received and expenditures made to operate the District's child development programs.

The **Charter School Fund** is used to account for revenues received and expenditures made to operate the District's Charter School(s).

The **Special Education Pass-Through Fund** is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue pass-through to other member Local Education Agencies (LEAs).

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following non-major capital projects funds:

The **Special Reserve Fund for Capital Outlay** is used to account for various maintenance and capital outlay projects.

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

The **County School Facilities Fund** is used to account for state apportionment provided for construction and reconstruction of school facilities under SB50.

The **Debt Service** funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other debt related costs. The District maintains the following non-major debt service fund:

The **Debt Service Fund** is used for the accumulation of resources for and the retirement of principal and interest on long-term debt.

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and other debt related costs.

Internal Service Funds

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains two internal service funds. The **Self-Insurance Fund** is used to provide general and vehicle liability, workers' compensation, dental, and vision insurance coverage to its employees. The **Self-Insurance – OPEB Fund** is used to provide for retiree benefits.

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains **Student Body Funds**, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

The Warrant/Pass-through Fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Cafeteria Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. INVENTORIES AND PREPAID ITEMS

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

I. CAPITAL ASSETS

Capital assets are those equipment purchased or acquired with an original cost of $10,000 or more and are reported at historical cost or estimated historical cost. Facility projects that extend the life and value of a site or building and exceed $100,000 are reported as capital assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	20
Buildings	50
Machinery and Equipment	5-20

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plan(s) after the measurement date but before the fiscal year-end are recorded as deferred outflows of resources and will reduce the net pension liability or total OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 11 for further details related to these pension deferred outflows and inflows. See Note 12 for details related to the OPEB deferred outflows and inflows.

K. PENSIONS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken, since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

N. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed – Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Education) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-54 hereby delegates the authority to assign amounts to be used for specific purposes to the Chief Business Officer for the purpose of reporting these amounts in the financial statements.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District's standard policy is to maintain the reserve at 3%. As of June 30, 2018, the District had a Reserve for Economic Uncertainty of $11,997,166 in the General Fund's unassigned fund balance which represents 3.6% of budgeted general fund expenditures and other financing uses. The remaining unassigned balance consists of $1,000,000 for K-3 GSA Protection, which is a reserve for additional teachers and transportation costs in case a school exceeds the 24 to 1 ratio and $10,341,048 as additional designations for potential deficit spending.

O. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes for the District.

P. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

R. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2018, the District implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires employers to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note 12 explains the effect of the implementation of GASB 75.

Since GASB 75 requires retroactive application, the net OPEB liability offset by the related deferred outflow of resources and prior recognized OPEB liabilities as of June 30, 2017 reduces the beginning net position for the fiscal year ended June 30, 2018. As a result, for the year ended June 30, 2018, the beginning net position decreased by $37,160,300 as the cumulative effect of a change in accounting principles.

2. CHARTER SCHOOLS

The Lodi Unified School District operates the Joe Serna Charter School pursuant to Education Code Section 47605. The financial activities of the Joe Serna Charter School are presented in the Special Revenue Fund (See Note 1).

3. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	$ 305,184,082
Restricted cash and equivalents	4,948,171
Fiduciary funds:	
Cash and equivalents	2,489,303
Total cash and equivalents	$ 312,621,556

Cash and equivalents as of June 30, 2018, consist of the following:

Cash with financial institutions	$ 6,136,452
Cash and equivalents with County Treasury	300,961,386
Cash and equivalents with fiscal agents	5,523,718
Total cash and equivalents	$ 312,621,556

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2018, the weighted average maturity of the investments contained in the treasury investment pool is approximately 482 days.

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. As applicable, the actual rating for the cash and equivalents with fiscal agent as of June 30, 2018 is as follows:

	Amount	Minimum Legal Rating	Rating
Toyota Motor Commercial Paper	$ 4,944,000	N/A	Not Rated
First American Treasury	57,726	N/A	AAAm

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were $8,781,510.

4. ACCOUNTS RECEIVABLE

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

	General Fund	Cafeteria Fund	Building Fund	Other Gov Funds	Self Insurance Fund	Total Funds
Federal government	$ 4,547,019	$ 1,952,431		$ 281,941		$ 6,781,391
State government	1,553,090	119,252		67,567		1,739,909
Local government	1,398,835	303,237		18,442	$ 189,318	1,909,832
Interest	312,707	14,407	$ 325,231	214,012	350,046	1,216,403
Totals	$ 7,811,651	$ 2,389,327	$ 325,231	$ 581,962	$ 539,364	$ 11,647,535

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2018 were as follows:

	Payable Fund				
Receivable Fund	General Fund	Cafeteria Fund	Other Governmental Funds	Self Insurance	Total Funds
General Fund		$ 1,971	$ 15,984	$ 265	$ 18,220
Cafeteria Fund	$ 185,095				185,095
Other Governmental Funds	2,125,858		40,091		2,165,949
Total	$ 2,310,953	$ 1,971	$ 56,075	$ 265	$ 2,369,264

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

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

Interfund transfers for the year ended June 30, 2018 were as follows:

	Transfers In		
Transfers Out	**Building Fund**	**Other Governmental Funds**	**Total Funds**
General Fund		$ 3,118,634	$ 3,118,634
Building Fund		30,430	30,430
Other Governmental Funds	$ 3,322	1,003,222	1,006,544
Total	$ 3,322	$ 4,152,286	$ 4,155,608

For the fiscal year ended June 30, 2018, the significant and/or non-routine transfers in Other Governmental Funds was to the Debt Service Fund from the General Fund and was $1,300,000. This transfer was made to provide funding for debt service.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 29,736,910			$ 29,736,910
Construction in progress	26,854,696	$ 9,635,830	$ (2,944,532)	33,545,994
Total capital assets, not being depreciated	56,591,606	9,635,830	(2,944,532)	63,282,904
Capital assets, being depreciated:				
Improvement of sites	27,482,592	711,961		28,194,553
Buildings	466,477,273	2,084,909		468,562,182
Machinery and equipment	36,936,831	2,617,700	(219,432)	39,335,099
Total capital assets, being depreciated	530,896,696	5,414,570	(219,432)	536,091,834
Less accumulated depreciation for:				
Improvement of sites	(12,654,472)	(991,466)		(13,645,938)
Buildings	(118,567,760)	(9,178,048)		(127,745,808)
Machinery and equipment	(26,049,510)	(2,295,985)	219,432	(28,126,063)
Total accumulated depreciation	(157,271,742)	(12,465,499)	219,432	(169,517,809)
Total capital assets, being depreciated, net	373,624,954	(7,050,929)		366,574,025
Governmental activities capital assets, net	$ 430,216,560	$ 2,584,901	$ (2,944,532)	$ 429,856,929

For the year ended June 30, 2018, depreciation expense was charged to functions as follows:

Governmental activities:	
General	$ 10,078,542
Supervision of instruction	23,607
School site administration	195,092
Pupil transportation	804,419
Food services	303,150
Other general administration	233,113
Data processing services	625,234
Plant services	185,665
Ancillary services	10,477
Other pupil services	6,200
Total depreciation expense	$ 12,465,499

7. LONG-TERM LIABILITIES

General Obligation Bonds

On November 3, 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of $42,190,000, with interest rates ranging from 2% to 5%, to currently refund the 2002 General Obligation Bonds 2002 Series. During the fiscal year ended June 30, 2018, the 2011 General Obligation Refunding Bonds were partially refunded and the principal balance outstanding was $12,475,000 at June 30, 2018.

On August 13, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of $44,930,000, with interest rates ranging from 2% to 5%, to advance refund $46,565,000 of the 2002 General Obligation Bonds 2004 Series. As of June 30, 2018, the principal balance outstanding was $39,025,000.

On May 20, 2015, the District issued 2015 General Obligation Refunding Bonds (2015 Issue) in the amount of $8,005,000, with interest rates ranging from 4.125% to 5%, to currently refund $7,695,000 of the 2006 Series of 2002 General Obligation Bonds (Defeased Bonds.) As of June 30, 2018, the 2016 Issue principal balance outstanding was $7,115,000.

On May 19, 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Issue) in the amount of $34,900,000, with interest rates ranging from 1.35% to 5%, to advance refund $37,425,000 of the 2007 Issue (Defeased Bonds). As of June 30, 2018, the 2017 Issue principal balance outstanding was $32,620,000.

On May 10, 2017, the District issued 2017 General Obligation Bonds (2017 Issue) in the amount of $80,000,000, with interest rates ranging from 2.75% to 5%, to modernize, replace, renovate, construct, acquire and rebuild school facilities. As of June 30, 2018, the 2017 Issue principal balance outstanding was $80,000,000.

On December 21, 2017, the District issued 2017 General Obligation Refunding Bonds in the amount of $21,190,000, with interest rates ranging from 1.125% to 2.000%, to advanced refund $18,955,000 of the 2011 General Obligation Refunding Bonds. The District completed the refunding to reduce total debt service payments by $797,505 and to obtain an "economic gain" (the present value difference between the old debt service payments and the new debt service payments) of $712,057 in aggregate. The District defeased the bonds by placing proceeds of the 2017 issue with an escrow agent who will pay the debt service of the 2011 refunded bonds; accordingly the assets and liabilities for the Defeased Bonds are not included in the Statement of Net Position. The Escrow Agent will pay the debt services requirements of the Defeased Bonds on each scheduled payment date through and including August 1, 2021 and will redeem those Defeased Bonds, at a redemption price equal to 100% of par, on August 1, 2021, which is the first optional redemption date. As of June 30, 2018, the principal balance outstanding was $21,190,000.

The bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 16,335,000	$ 7,520,617	$ 23,855,617
2020	15,660,000	6,863,258	22,523,258
2021	14,260,000	6,201,067	20,461,067
2022	7,900,000	5,693,332	13,593,332
2023	9,020,000	5,380,425	14,400,425
2024-2028	48,685,000	21,821,423	70,506,423
2029-2033	39,790,000	12,503,524	52,293,524
2034-2038	18,940,000	6,463,400	25,403,400
2039-2043	21,835,000	1,830,100	23,665,100
Subtotal	192,425,000	74,277,146	266,702,146
Plus: Unamortized premium	12,313,486		12,313,486
Totals	$ 204,738,486	$ 74,277,146	$ 279,015,632

Certificates of Participation (COP)

In December of 2003, the District issued COP totaling $5,000,000 for the restoration of the old Lincoln Elementary School building to house the Lincoln Tech Academy as of part of the Qualified Zone Academy Bond (QZAB). The $5,000,000 is scheduled to mature December 11, 2018. As of June 30, 2018, the principal balance was $5,000,000.

In July of 2010, the District issued COPs, Series A & B "2010" in the amount of $5,575,000 for the construction, rehabilitation and repair of school facilities by the District as part of the Qualified School Construction Bonds (QSCBs). The COPs bear interest rates from 1.75% - 7.38% and are scheduled to mature through 2027. As of June 30, 2018, the principal balance was $3,220,000.

In September of 2003, the District issued COP totaling $10,985,000, with interest rates ranging from 2% to 5%. In January of 2014, the District issued Refunding Certificates of Participation totaling $8,165,000, with interest rates ranging from 4.25% to 5% to currently refund the September 2003 Issue. As of June 30, 2018, the principal balance was $6,390,000.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 5,830,000	$ 592,160	$ 6,422,160
2020	850,000	553,663	1,403,663
2021	865,000	513,460	1,378,460
2022	885,000	471,868	1,356,868
2023	915,000	428,974	1,343,974
2024-2028	4,580,000	1,343,712	5,923,712
2029-2033	685,000	424,390	1,109,390
2034-2037		125,637	125,637
Subtotal	14,610,000	4,453,864	19,063,864
Less: Unamortized discount	(15,004)		(15,004)
Totals	$ 14,594,996	$ 4,453,864	$ 19,048,860

Capital Leases

In November 2010, the District entered in a Lease-Purchase Agreement of Energy Conservation Equipment of $9,915,000 as part of the 2010 Qualified Energy Conservation Project (Federally Taxable Direct Pay Tax Credit Bonds). The funds were used to install energy conservation equipment at various sites in the District. The District also leases various computers and equipment under agreements that provide for title to pass upon expiration of the lease period. The book value of these items at time of purchase was $18,010,332. Future minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30,	Lease Payments
2019	$ 1,044,459
2020	1,048,841
2021	797,017
2022	794,331
2023	770,844
Thereafter	3,849,577
Total	8,305,069
Less amount representing interest	(1,905,032)
Present value of net minimum lease payments	$ 6,400,037

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

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 196,250,000	$ 21,190,000	$ (25,015,000)	$ 192,425,000	$ 16,335,000
Unamortized GOB Premium	14,658,396		(2,344,910)	12,313,486	1,165,896
Certificates of Participation	15,415,000		(805,000)	14,610,000	5,830,000
Unamortized COP Discount	(18,259)		3,255	(15,004)	(2,944)
Capital Leases	7,037,022		(636,985)	6,400,037	700,375
Claims Liability (Note 9)	12,712,972	3,051,842	(2,148,300)	13,616,514	1,310,341
Other Long-Term Debt	10,000		(10,000)		
Compensated Absences	1,136,811	2,117,356	(2,163,391)	1,090,776	1,090,776
Total	$ 247,201,942	$ 26,359,198	$ (33,120,331)	$ 240,440,809	$ 26,429,444

8. COMMITMENTS AND CONTINGENCIES

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 would not be material.

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Commitments

The District has construction contracts and property acquisition commitments of approximately $8,916,581 at June 30, 2018. Bond and state funds have been approved for such construction.

9. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2018, the District participated in two joint power agreements (JPAs) for purposes of pooling of risk related to property and liability. See "Joint Ventures" footnote for nature of participation.

The District is self-insured for workers' compensations claims up to $1,000,000 per occurrence and purchases excess insurance for claims above $1,000,000, with a maximum of up to $10,000,000 per claim. In addition, the District is fully insured for dental care for all employees except classified. Classified employees' dental care is self-insured and vision care is also fully self-insured for all employees. All claims are administered by outside parties and the Self-Insurance Fund accounts for and liquidates these insurance activities.

The District has accrued a claims liability of $13,616,514 at June 30, 2018, for its self-insured claims and deductibles in the Self-Insurance Fund. The claims liability is based upon an evaluation by outside administrators and actuaries for known claims and management's evaluation of incidents incurred but not reported, excluding incremental costs. These claims liabilities are established based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The majority of these claims liabilities are long-term in nature and the District's intent is to fund these liabilities over time. Management has estimated $1,310,341 of these liabilities will be incurred in the 2018-19 fiscal year.

Changes in claims liability for the years ended June 30, 2018 and 2017 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claims Payments	Liability End of Year
2017-2018	$ 12,712,972	$ 3,051,842	$ (2,148,300)	$ 13,616,514
2016-2017	$ 14,378,235	$ 3,440,410	$ (5,105,673)	$ 12,712,972

10. JOINT VENTURES

The District participates in two JPAs, the Schools Association for Excess Risk (SAFER) and Northern California Relief (NCR). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

SAFER and NCR arrange property and liability insurance coverage for their members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

NATURE OF PARTICIPATION

Property

District	
Deductible:	$50,000
JPA's SIR:	$50,001 to $250,000 with NCR
Excess Insurance:	$250,001 to $250,000,000 per occurrence with SAFER

Liability

District	
Deductible:	$50,000
JPA's SIR:	$50,001 to $1,000,000 with NCR
Excess Insurance:	$1,000,001 to $10,000,000 with SAFER
	$10,000,001 to $25,000,000 with SAFER

The condensed financial information of the JPAs is as follows:

	SAFER June 30, 2017	NCR June 30, 2017
Total Assets	$ 25,967,058	$ 75,820,380
Total Liabilities	(25,277,081)	(59,774,301)
Net Position	$ 689,977	$ 16,046,079
Total Revenues	$ 55,437,230	$ 53,157,908
Total Expenses	(56,889,019)	(52,877,526)
Change in Net Position	$ (1,451,789)	$ 280,382

Complete separate financial statements for the JPA may be obtained at the District office at 1305 E. Vine Street, Lodi, CA 95240.

11. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.1% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2018, was 14.43% of annual pay. District contributions to the CalSTRS Plan were $19,989,000 for the year ended June 30, 2018.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437% in 2014-15 to 4.811% in 2017-18. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2017, was 8.828% of the District's 2014-15 creditable CalSTRS compensation.

Actuarial Assumptions

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

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return[1]	7.10%
Mortality	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple for DB (Annually) Maintain 85% purchasing power Level for DB Not applicable for DBS /CBB

[1] Net of investment expenses, but gross of administrative expenses.

Changes in Assumptions

During fiscal year end 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 NPL of the CalSTRS Plan changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

Assumption	As of June 30, 2017	As of June 30, 2016
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.5%	3.75%

CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by their board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS 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 the total pension liability.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL 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. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's 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's required contribution rate for the year ended June 30, 2018, was 15.531% of annual pay. District contributions to the CalPERS Plan were $7,950,426 for the year ended June 30, 2018.

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases[1]	Varies
Investment Rate of Return[2]	7.15%
Mortality[3]	CalPERS' Membership Data
Post-Retirement Benefit Increase[4]	Up to 2.75%

(1) Varies by entry age and service
(2) Net of pension plan investment; includes inflation
(3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the April 2014 CalPERS Experience Study Report and Review of Actuarial Assumptions Report available on CalPERS webpage.
(4) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

Changes in Assumptions

In fiscal year June 30, 2017, the financial reporting discount rate for CalPERS was lowed from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board in 2013 were used. For the CalPERS Plan, projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out for the Plan. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[(a)]	Real Return Years 11+[(b)]
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

[(a)] An expected inflation of 2.5% was used for this period.
[(b)] An expected inflation of 3.0% was used for this period.

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

As of June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	$ 225,651,200
CalPERS Plan	87,798,793
Total District net pension liability	313,449,993
State's proportionate share of CalSTRS net pension liability associated with the District	133,691,958
Total	$ 447,141,951

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2017, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2017, was .2440% and .3678% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.025%, and of 0.0149%, from its proportion measured as of June 30, 2016 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2018, the District recognized pension expense of $30,619,833 and revenue of $13,479,524 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,979,949	$ (3,935,720)
Changes in assumptions	54,628,915	(1,033,722)
Changes in proportion		(10,219,177)
Change in proportionate share of contributions	235,812	
Net differences between projected and actual investment earnings of pension plan investments	3,037,238	(6,009,720)
District contributions subsequent to measurement date	27,939,426	
Total	$ 89,821,340	$ (21,198,339)

The $27,939,426 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	$ 4,634,107
2020	16,855,076
2021	11,291,655
2022	(1,695,249)
2023	5,140,225
Thereafter	4,457,761

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 331,327,600	$ 225,651,200	$ 139,887,640

	Discount Rate –1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 129,180,159	$ 87,798,793	$ 53,469,484

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to the pension benefits described in Note 11, the District provides other postemployment health, dental, and vision care benefits for eligible retired employees through a single-employer defined benefit healthcare plan (the Plan). As of June 30, 2018, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

During the year ended June 30, 2018 the District paid benefits to retirees of $1,739,055 and transferred $3,921,704 to the Self-Insurance – OPEB Fund, an Internal Service Fund. This transfer is regarded as earmarking of employer assets to reflect the employer's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus do not qualify as contributions.

Benefits Provided

The District's benefits provided to retirees are established per contractual agreement, which vary among different collective bargaining agreements. The following is a description of the current retiree benefit plan.

	Management	Certificated	Classified and Supervisors	Confidential
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision*	Medical, dental and vision
Duration of Benefits	Lifetime	To age 65	Option 1: 60 months, not beyond age 65 Option 2: 84 months** Option 3: 120 months but not beyond age 65	To age 65
Required Service	10 years	10 consecutive full-time years, at least Class D on salary schedule (Class B for LPPA)	20 years of continuous service at age 50 or 15 years at age 55	15 years of continuous service
Minimum Age	55	55	55	60***
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution	100% up to cap to 65; $2,000 per year beyond 65 if 10 years as administrator	100% to cap	100% to cap except option 3 is 50% of District cap	100% to cap
District Cap	$5,114 to 65	LEA: $8,845 LPPA: Applicable active cap	Active cap, less expensive rate for Option B	$5,114 to 65

*Option 2 receives medical benefits only.
**For supervisors, Option B cannot go beyond age 65
***Up to 3 Confidential retirees at a time may be covered between ages 55 and 60

Employees Covered

As of the June 30, 2017 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	390
Inactive employees entitled to but not receiving benefits	0
Participating active employees	2,883
Total	3,273

Total OPEB Liability

The District's total OPEB liability of $66,751,143 was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate [(1)]	3.50%
Inflation	2.75%
Salary Increases[(2)]	2.75%
Mortality - Classified[(3)]	CalPERS' Membership Data
Mortality - Certificated[(4)]	CalSTRS' Membership Data
Health care cost trend rates	4.00%

(1) Based on Bond Buyer 20 Bond Index.

(2) Since benefits do not depend on salary, using an aggregate payroll assumption for purposes of calculating the service costs results in negligible error.

(3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the April 2014 experience study report.

(4) CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (TOL)
Balance at June 30, 2017	$ 60,934,120
(Roll back balance at June 30, 2016 measurement date)	
Changes recognized for the measurement period:	
Service cost	5,125,115
Interest on TOL	2,193,637
Benefit payments	(1,501,729)
Net changes	5,817,023
Balance at June 30, 2018 (Measurement date June 30, 2017)	$ 66,751,143

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate +1% (4.50%)
Total OPEB liability	$ 77,336,469	$ 66,751,143	$ 58,179,257

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (3.00%)	Health Care Trend Rate (4.00%)	Discount Rate +1% (5.00%)
Total OPEB liability	$ 59,011,514	$ 66,751,143	$ 72,943,434

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

For the measurement period ended June 30, 2017, the District applied the transition approach provided in GASB 75 and therefore has no deferred outflows or inflows subject to the above recognition periods.

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $7,318,752. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,739,055	
Changes of assumptions		
Total	$ 1,739,055	$

The $1,739,055 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2019.

13. SUBSEQUENT EVENT

On October 11, 2018, the District issued 2018 General Obligation Bonds in the amount of $9,000,000, maturing through August 2038 and bearing interest at rates ranging from 3.000% - 5.000%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds.

REQUIRED SUPPLEMENTARY INFORMATION

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
State apportionments	$ 216,868,161	$ 214,409,361	$ 214,866,018	$ 456,657
Local sources	45,107,052	47,747,942	47,140,703	(607,239)
Total local control funding formula	261,975,213	262,157,303	262,006,721	(150,582)
Federal revenues	17,676,187	25,043,478	20,917,862	(4,125,616)
Other state revenues	38,367,767	47,788,951	48,579,268	790,317
Other local revenues	602,933	2,542,421	3,830,555	1,288,134
Total revenues	318,622,100	337,532,153	335,334,406	(2,197,747)
EXPENDITURES				
Certificated personnel salaries	134,092,754	140,337,456	138,303,325	2,034,131
Classified personnel salaries	44,933,718	48,723,564	47,255,304	1,468,260
Employee benefits	77,541,281	78,530,217	72,406,576	6,123,641
Books and supplies	18,279,691	31,909,986	14,797,599	17,112,387
Services and other operating expenditures	32,092,495	37,640,359	37,848,449	(208,090)
Capital outlay	1,155,788	3,308,169	2,925,680	382,489
Other outgo	571,885	573,757	554,719	19,038
Allocation of indirect costs	(1,292,831)	(1,347,501)	(1,136,864)	(210,637)
Debt service	1,057,398	476,335	270,092	206,243
Total expenditures	308,432,179	340,152,342	313,224,880	26,927,462
Excess (shortfall) of revenues over expenditures	10,189,921	(2,620,189)	22,109,526	24,729,715
OTHER FINANCING USES				
Interfund transfers out	(2,030,043)	(3,090,368)	(3,118,634)	(28,266)
Total other financing uses	(2,030,043)	(3,090,368)	(3,118,634)	(28,266)
Net increase (decrease) in fund balance	8,159,878	(5,710,557)	18,990,892	24,701,449
Fund balance – beginning	45,016,864	45,016,864	45,016,864	
Fund balance – ending	$ 53,176,742	$ 39,306,307	$ 64,007,756	$ 24,701,449

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
CAFETERIA SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Federal revenues	$ 15,441,805	$ 15,836,193	$ 14,049,633	$ (1,786,560)
Other state revenues	899,184	899,184	897,366	(1,818)
Other local revenues	2,806,417	2,806,417	2,776,839	(29,578)
Total revenues	19,147,406	19,541,794	17,723,838	(1,817,956)
EXPENDITURES				
Classified personnel salaries	6,635,599	6,989,116	6,255,933	733,183
Employee benefits	3,279,748	3,434,691	2,322,969	1,111,722
Books and supplies	8,719,722	8,984,081	7,530,238	1,453,843
Services and other operating expenditures	902,826	898,326	575,811	322,515
Capital outlay	870,000	970,000	406,229	563,771
Allocation of indirect costs	1,025,739	1,039,151	875,934	163,217
Debt service			3,732	(3,732)
Total expenditures	21,433,634	22,315,365	17,970,846	4,344,519
Excess (deficiency) of revenues over expenditures	(2,286,228)	(2,773,571)	(247,008)	2,526,563
Fund balance – beginning	7,253,836	7,253,836	7,253,836	
Fund balance – ending	$ 4,967,608	$ 4,480,265	$ 7,006,828	$ 2,526,563

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIOD ENDED JUNE 30, LAST 10 YEARS*

	2017
TOTAL OPEB LIABILITY	
Service cost	$ 5,125,115
Interest	2,193,637
Benefit payments	(1,501,729)
NET CHANGE IN TOTAL OPEB LIABILITY	5,817,023
TOTAL OPEB LIABILITY, Beginning	60,934,120
TOTAL OPEB LIABILITY, Ending	$ 66,751,143
Covered-employee payroll	$ 188,614,088
District's total OPEB liability as a percentage of covered-employee payroll	35%

Notes to Schedule:
There were no changes to benefit terms or assumptions during the measurement period ending June 30, 2017.

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

CalSTRS Plan

	Measurement Date			
	2017	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.244%	0.269%	0.258%	0.252%
District's proportionate share of the net pension liability	$ 225,651,200	$ 217,569,890	$ 173,695,920	$ 147,261,240
State's proportionate share of the net pension liability associated with the District	133,691,958	124,040,571	91,895,311	88,989,303
Total	$ 359,343,158	$ 341,610,461	$ 265,591,231	$ 236,250,543
District's covered-employee payroll	$ 131,489,564	$ 130,333,231	$ 124,375,645	$ 114,500,629
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172%	167%	140%	129%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

CalPERS Plan

	Measurement Date			
	2017	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.3678%	0.3827%	0.3896%	0.3838%
District's proportionate share of the net pension liability	$ 87,798,793	$ 75,583,487	$ 57,427,425	$ 43,570,645
District's covered-employee payroll	$ 47,013,324	$ 46,113,845	$ 43,217,793	$ 40,354,159
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187%	164%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30,
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year			
	2018	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 19,989,000	$ 16,849,633	$ 14,007,563	$ 11,101,972
Contributions in relation to the contractually required contributions	(19,989,000)	(16,849,633)	(14,007,563)	(11,101,972)
Contribution deficiency (excess)	$	$	$	$
District's covered-employee payroll	$ 140,118,151	$ 131,489,564	$ 130,333,231	$ 124,375,645
Contributions as a percentage of covered-employee payroll	14.27%	12.81%	10.75%	8.93%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30,
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year			
	2018	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 7,950,426	$ 6,551,438	$ 5,466,734	$ 5,077,414
Contributions in relation to the contractually required contributions	(7,950,426)	(6,551,438)	(5,466,734)	(5,077,414)
Contribution deficiency (excess)	$	$	$	$
District's covered-employee payroll	$ 50,361,691	$ 47,013,324	$ 46,113,845	$ 43,217,793
Contributions as a percentage of covered-employee payroll	15.79%	13.94%	11.85%	11.75%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION SECTION

LODI UNIFIED SCHOOL DISTRICT

ORGANIZATION
JUNE 30, 2018

The Lodi Unified School District was established on July 1, 1967, and comprises an area located in San Joaquin County. There were no changes in the boundaries of the District during the current year. The District currently operates 32 elementary schools (most of which have a grade configuration of kindergarten through 6th grade, one GATE school for grades 4-8, and two schools for grades K-8), five middle schools (for grades 7-8), four comprehensive high schools (for grades 9-12), one early college high school, two continuation high schools, one alternative school of choice (for grades 7-8), one independent study school for grades K-12, one charter school for grades K-8, preschool programs, and an adult education program. The District also has five independent charter schools.

GOVERNING BOARD

Name	Office	Term Expires
Mr. George Neely	President	2018
Mr. Gary Knackstedt	Vice President	2020
Mr. Joe Nava	Clerk	2020
Ms. Bonnie Cassel	Member	2018
Dr. Daryl Talken	Member	2018
Mr. Ron Heberle	Member	2018
Mr. Ron Freitas	Member	2020

ADMINISTRATION

Dr. Cathy Nichols-Washer
Superintendent

Mr. Leonard Kahn
Chief Business Officer

Mr. Mike McKilligan
Assistant Superintendent/Personnel

Mr. Scott McGregor
Interim Assistant Superintendent/Elementary Education

Mr. Jeff Palmquist
Assistant Superintendent/Secondary Education

Ms. Lisa Kotowski
Assistant Superintendent/Curriculum-Instruction-Assessment

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

DISTRICT

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten through 3	8,198	8,213
Grades 4 through 6	6,426	6,436
Grades 7 and 8	4,183	4,176
Special Education – Nonpublic, Non-sectarian Schools	31	31
Extended Year ADA –Nonpublic, Non-sectarian Schools	1	42
Elementary Totals	18,839	18,898
High School:		
Grades 9 through 12	8,267	8,211
Special Education– Nonpublic, Non-sectarian Schools	27	27
Extended Year ADA– Nonpublic, Non-sectarian Schools	0	14
High School Totals	8,294	8,252
County Community Schools	47	45
ADA Totals	27,180	27,195

JOE SERNA JR. CHARTER SCHOOL

	Second Period Report	Annual Report
Elementary:		
Kindergarten through 3	162	162
Grades 4 through 6	117	117
Grades 7 and 8	73	73
ADA Totals - Classroom Based	352	352

See the accompanying notes to supplementary information.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

Charter School	Charter School Number	Date Established	Included/ Not Included
Aspire Public Schools – River Oaks Charter School	0364	8/15/2000	Not Included
Aspire Public Schools – Aspire Vincent Shalvey Academy	0178	1/19/1999	Not Included
Aspire Public Schools – Benjamin Holt College Prep Academy	0565	3/4/2003	Not Included
Rio Valley Charter School	1229	4/16/2010	Not Included
Aspire Public Schools Benjamin Holt Middle School	1782	8/1/2016	Not Included
Joe Serna Jr. Charter School	0288	1/18/2000	Included

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Instructional Days Offered	Status
DISTRICT				
Kindergarten	36,000	36,000	180	In Compliance
Grades 1	50,400	51,314	180	In Compliance
Grades 2	50,400	51,314	180	In Compliance
Grades 3	50,400	51,314	180	In Compliance
Grades 4	54,000	54,420	180	In Compliance
Grades 5	54,000	54,705	180	In Compliance
Grades 6	54,000	54,705	180	In Compliance
Grades 7	54,000	57,120	180	In Compliance
Grades 8	54,000	57,120	180	In Compliance
Grades 9	64,800	65,210	180	In Compliance
Grades 10	64,800	65,210	180	In Compliance
Grades 11	64,800	65,210	180	In Compliance
Grades 12	64,800	65,210	180	In Compliance

CHARTER SCHOOL

Grade Level	Required Minutes	2017-18 Actual Minutes	Number of Instructional Days Offered	Status
Kindergarten	36,000	48,660	180	In Compliance
Grades 1	50,400	52,470	180	In Compliance
Grades 2	50,400	52,470	180	In Compliance
Grades 3	50,400	54,465	180	In Compliance
Grades 4	54,000	54,465	180	In Compliance
Grades 5	54,000	54,465	180	In Compliance
Grades 6	54,000	60,429	180	In Compliance
Grades 7	54,000	60,429	180	In Compliance
Grades 8	54,000	60,429	180	In Compliance

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

GENERAL FUND

	June Adopted Budget 2019	2018	2017	2016
Revenues and other financial sources	$ 341,058,296	$ 335,334,406	$ 320,584,538	$ 312,775,655
Expenditures	335,353,819	313,224,880	300,173,498	301,924,749
Other uses and transfers out	1,143,577	3,118,634	6,388,080	11,874,149
Total outgo	336,497,396	316,343,514	306,561,578	313,798,898
Change in fund balance	4,560,900	18,990,892	14,022,960	(1,023,243)
Ending fund balance	$ 68,568,656	$ 64,007,756	$ 45,016,864	$ 30,993,904
Available reserves[1]	$ 28,850,963	$ 23,228,214	$ 19,700,000	$ 17,806,782
Reserved for economic uncertainties	$ 11,937,354	$ 11,997,166	$ 9,350,000	$ 9,691,111
Unassigned fund balance	$ 16,913,603	$ 11,341,048	$ 10,350,000	$ 8,115,671
Available reserves as a percentage of total outgo	8.7%	7.4%	6.4%	5.5%
Total long-term debt	$ 594,212,501	$ 620,641,945	$ 562,627,410	$ 425,693,907
Average daily attendance at P-2[2]	27,314	27,133	27,153	26,884

(1) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.
(2) Excludes County Community Schools ADA.

The General Fund balance has increased by $33,013,852 over the past two years. The fiscal year 2018-19 budget projects an increase of $4,560,900. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in one of the past three years, and anticipates generating an operating surplus during the 2018-19 fiscal year. Total long-term debt has increased by $194,948,038 over the past two years.

Average daily attendance has increased by 249 over the past two years. ADA is anticipated to increase by 181 during fiscal year 2018-19.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13391	$ 9,149,447
Child Nutrition (School Breakfast Basic and Especially Needy)	10.553	N/A	2,331,348
Child Nutrition: School Programs - Commodities	10.555	N/A	987,741
Subtotal Child Nutrition Cluster			12,468,536
Child and Adult Care Food Program:			
Child Nutrition: CACFP Claims	10.558	13666	1,239,485
Child Nutrition: CCFP Cash in Lieu of Commodities	10.558	13389	77,706
Subtotal Child and Adult Care Food Program			1,317,191
Child Nutrition: Equipment Assistance Grant	10.579	14906	478
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	263,430
Total U.S. Department of Agriculture			14,049,635
U.S. Department of Education:			
Passed-Through California Department of Rehabilitation:			
Promoting the Readiness of Minors in Supplemental Security Income	84.418P	N/A	881,761
WorkAbility II, Transition Partnership	84.158	10006	193,140
Passed-Through CDE:			
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	238,717
IDEA Early Intervention Grants	84.181	23761	75,117
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,300,439
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	832,251
Title I Basic Grants Low Income & Neg.	84.010	14329	10,290,221
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,090,373
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	10,734
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	120,511
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	439,080
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	328,080
Special Ed IDEA 619 Preschool Early	84.173	N/A	28,170
Special Ed IDEA 611 Preschool Early	84.027	N/A	41,672
Special Ed: Alternative Dispute Resolution	84.027	23761	18,526
Special Ed: IDEA 611 Early Intervention	84.027	10119	843,233
Subtotal Special Education Cluster (IDEA)			5,920,379
Total U.S Department of Education			19,732,025
U.S. Department of Health and Human Services:			
Passed-Through California Department of Health Services:			
Head Start	93.600	10016	2,284,260
Head Start Duration	93.600	10016	147,211
Medi-Cal Option Billing	93.778	10013	606,986
Total U.S. Department of Health and Human Services			3,038,457
Total Expenditures of Federal Awards			$ 36,820,117

See the accompanying notes to supplementary information.

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FUND FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

AUDITOR'S COMMENTS

All fund balances agreed to the unaudited actuals.

1. PURPOSE OF SCHEDULES

A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2018, was conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

Subreceipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2018.

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

Gilbert Associates, Inc.
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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*

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lodi Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 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 entity's 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 8, 2018

Gilbert Associates, Inc.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

Report on Compliance for Each Major Federal Program

We have audited Lodi Unified School District's (the District) compliance with the types of compliance requirements described in the *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 auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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.

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 8, 2018

Gilbert Associates, Inc.
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REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2017-18 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

Report on State Compliance

We have audited the Lodi Unified School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the programs identified in the below schedule 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 under the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

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 the programs identified in the above schedule for the year ended June 30, 2018.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 8, 2018

FINDINGS AND RECOMMENDATIONS SECTION

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______Yes	__X__No
Significant deficiency(ies) identified?	______Yes	__X__No
Noncompliance material to financial statements noted?	______Yes	__X__No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______Yes	__X__No
Significant deficiency(ies) identified?	______Yes	__X__None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______Yes	__X__No

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster
84.367	Title II, Part A, Improving Teacher Quality Local Grants
84.365	Title III, Limited English Proficient Student Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,104,604	
Auditee qualified as low-risk auditee?	__X__Yes	______No

State Awards

Internal control over State programs:		
Material weakness(es) identified?	______Yes	__X__No
Significant deficiency(ies) identified?	______Yes	__X__None Reported
Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies?	______Yes	__X__No
Type of auditor's report issued on compliance for state programs:	Unmodified	

FINANCIAL STATEMENT

There were no financial statement findings reported.

STATE COMPLIANCE

There were no state compliance findings reported.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior year findings and recommendations.