VISALIA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

VISALIA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018
(Continued)

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VISALIA UNIFIED SCHOOL DISTRICT

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VISALIA UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Visalia Unified School District
Visalia, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Visalia Unified School 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.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning net position of $74,753,224. Note disclosures and required supplementary information requirements about OPEB are also discussed. 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* on pages 4 to 16, the General Fund Budgetary Comparison Schedule, the Schedule of Changes In the District's Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 59 to 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Visalia Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, have 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of Visalia Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Visalia Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement Number 34. The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

District-Wide Statements

The *District-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting, which is intended to be similar to those used by private sector companies. They provide both short-term and long-term information about the District's overall financial status. They present governmental activities and business-type activities separately, though our District does not have any business-type activities at this time. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Additionally, certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables, and receivables.

The District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – The District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid (Local Control Funding Formula) finance most of these activities.
- Business-type activities – The District does not have any activities included here, as fees the District may charge to help it cover the costs of certain services it provides (such as specific Adult School classes) do not constitute major reportable activities.

Fund Financial Statements

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental (basic services), proprietary (business-type activities), and fiduciary (assets held for others).

They focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements which reports on the District as a whole.

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 State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. They tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements using the economic resources measurement focus and the accrual basis of accounting. They offer short- and long-term financial information about the activities that the District operates like a business.

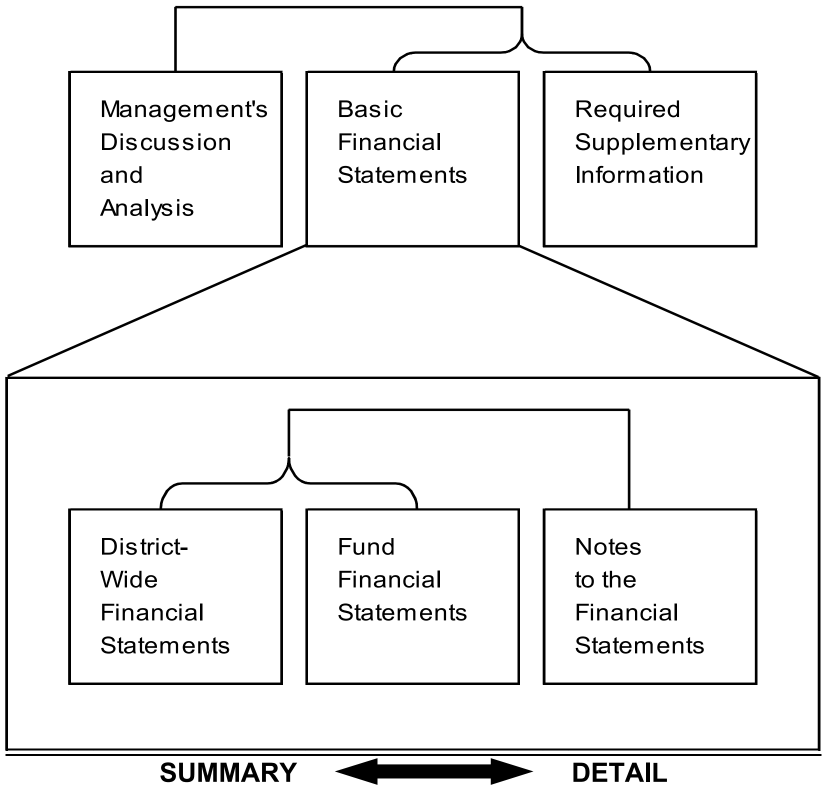
  Our District does not utilize enterprise funds (one type of proprietary fund) at this time, which are the same as business-type activities. We do, however, use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the employee health and welfare insurance fund.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, in this case, the student activities (agency) funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong, which are the student bodies. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position, which only report a balance sheet and do not have a measurement focus. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information of the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of the District's Annual Financial Report



Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- This District continued to implement the changes brought by the Local Control Funding Formula, as well as the accountability provisions of the Local Control Accountability Plan. The State budget and economy continues the trend of steady growth and the District continues to restore programs and implement changes to improve achievement for all students. The following factors play a significant role in the economic recovery:
    - Stable State and Local Unemployment Rates of 4.0% State, 8.3% Tulare County and 4.8% for Visalia, compared to 4.3% State, 9.4% Tulare County and 7.6% Visalia in the previous fiscal year.
    - Capital gains and personal income tax continue to fuel growth in the California economy and State revenue.
    - UCLA Anderson forecasts that growth will gradually taper off in all of the major sectors of the economy with consumer spending expected to decrease to 2% by the end of 2019 and 1.5% by 2020. The California economy will be slightly weaker in 2020 with employment growth in the mid 1% range in 2019 and slow to less than 1% in 2020. Personal income growth is forecast to be in the upper 3% range in 2019 and will be just below 3% in 2020. The projected unemployment rate will rise 0.1% to 4.6% by 2020.
    - Housing continues to rebound with permits and housing valuation up from prior year lows.

- The District continues to budget using conservative revenue estimates and maintains a reserve and fund balance that enables the District to maintain fiscal solvency. The District maintains a reserve for economic uncertainty of 14.5% at the close of the 2017-18 fiscal year.

- The Districts overall financial condition has improved with additional revenues from the new funding formula. State revenues from the LCFF are up $76.5 million from FY 2013-14, with $37.2 million of those new revenues dedicated to improving services for our most needy students.

- Pension costs continue to limit the Districts ability to restore and improve programs with $14.5 million in new pension costs since 2013-14, projected to grow to $26.2 million in new costs by 2020-21.

- Construction was completed on Riverway Elementary School and welcomed students in August 2017. Also, Global Learning Charter School opened in August 2017.

- Overall, revenues were $354.9 million for the audit year, as compared to overall revenues of $340.2 million in the prior year, up by $14.7 million or 4.32% due to additional state funding from LCFF as well as Medi-Cal Administrative Activities (MAA) reimbursements, as well as Career Technical Education (CTE) incentive grants.

- General Fund revenues for the current year exceeded basic expenditures by $11.7 million; $325.5 million in revenues compared to $313.7million in basic expenditures with salaries and benefits accounting for 80.23% of basic expenditures.

- Housing growth in the City of Visalia has shown steady growth for the past 5 years; which correlates to the increase in the Districts revenues from Developer Fee Funds. The Developer Fee rate for 2017-18 was at the Level 2 rate of $3.75 per square foot from July - November 2017 and Level 1 rate at $3.48 per square foot from December 2017 – June 2018. Revenues are down for the year at $3.48 million compared to $5.4 million in 2016-17 due to the lower rate.

- Also, VUSD credit rating from S&P increased from A+ to AA-.

- Issued $59.8 million in Certificates of Participation to complete Measure E projects.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. Net position is the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we report only the District's governmental activities, as the District does not have any business-type activities. All of the District's services are reported in this category, and include the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes; state income taxes; user fees; interest income; federal, state, and local grants; as well as general obligation bonds finance these activities.

A more detailed analysis of the District's net position and changes in net position follows:

Table A-1
Net Position

(Amounts in millions)	Governmental Activities 2018	Governmental Activities 2017	Dollar Change 2018-2017	Total Percentage Change 2018-2017
Current and other assets	$ 251.8	$ 194.9	$ 56.9	29.19%
Capital assets (less depreciation)	372.7	357.8	14.9	4.16%
Total Assets	624.5	552.7	71.8	12.99%
Current liabilities	27.3	31.8	(4.5)	-14.15%
Long-term liabilities	520.3	341.4	178.9	52.40%
Total Liabilities	547.6	373.2	174.4	46.73%
Deferred Inflows/Outflows of Resources	(86.5)	(49.8)	(36.7)	73.69%
Net position				
Net investment in capital assets	301.9	299.6	2.3	0.77%
Restricted	37.1	63.3	(26.2)	-41.39%
Unrestricted	(175.6)	(133.6)	(42.0)	31.44%
Total Net Position	$ 163.4	$ 229.3	$ (65.9)	-28.74%

Net position. The District's combined net position was $229.3 million for the fiscal year ended June 30, 2017, and $163.4 million for the fiscal year ended June 30, 2018, a decrease of $65.9 million (Table A-1). This decrease in the District's financial position came from its governmental activities, and was due primarily to the increase in capital assets for Measure E Projects and due to accounting changes as it relates to Other Postemployment Benefits (OPEB).

The results of this year's operations for the District as a whole are reported in the Statement of Activities that can be found in the Basic Financial Statements Section of this document. Table A-2 takes the information from the statement, rounds the numbers, and rearranges them slightly so the reader can see the District's total revenues for the year.

Table A-2
Statement of Activities

(Amounts in millions)	Governmental Activities 2018	Governmental Activities 2017	Total Dollar Change 2018-2017	Total Percentage Change 2018-2017
Revenues				
General revenues:				
Federal and State aid not restricted	$ 230.0	$ 223.8	$ 6.2	2.77%
Charges for services	6.2	7.8	(1.6)	-20.51%
Operating grants and contributions	68.1	60.7	7.4	12.19%
Tax revenues	45.3	42.3	3.0	7.09%
Other local sources	5.3	5.6	(0.3)	-5.36%
Total Revenues	354.9	340.2	14.7	4.32%
Expenses				
Instruction-related	243.3	229.5	13.8	6.01%
Student support services	35.9	30.6	5.3	17.32%
Administration	16.8	14.2	2.6	18.31%
Maintenance and operations	33.4	30.1	3.3	10.96%
Other	16.6	14.3	2.3	16.08%
Total Expenses	346.0	318.7	27.3	8.57%
Excess of Revenues over Expenses	8.9	21.5	(12.6)	-58.60%
Change in Net Position	$ 8.9	$ 21.5	$ (12.6)	-58.60%

Changes in net position. The District's total revenues increased from $340.2 million at June 30, 2017, to $354.9 million at June 30, 2018, an increase of 4.32 percent (Table A-2). As mentioned earlier, the increase in revenues was primarily due to the increase in revenues received from the State under the LCFF as well as Medi-Cal Administrative Activities (MAA) reimbursements, as well as Career Technical Education (CTE) incentive grants.

The total cost of all programs and services increased 8.57 percent from $318.7 million at June 30, 2017, to $346.0 million at June 30, 2018. The majority of the District's expenses relate to instruction (70.32 percent). The purely administrative activities of the District accounted for just 4.86 percent of total costs.

Overall, total revenues surpassed expenses, increasing net position $8.9 million, a decrease of $12.6 million over last year's increase. With the cyclical challenges of the State's finances, the District will continue to work to strengthen our fiscal foundation for the years when budget reductions may be necessary and deficits may decrease the District's net position.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

In Table A-3, the net cost of each of the District's seven largest functions is presented below. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table A-3
Net Cost of Governmental Activities

(Amounts in millions)

	Net Cost of Services			
	2018	2017	$ Change	% Change
Instruction	$ 159.4	$ 153.3	$ 6.1	3.98%
Instruction-related activities (supervision, library, and media)	38.8	36.0	2.8	7.78%
Other pupil services	14.8	11.6	3.2	27.59%
Food services	0.7	2.1	(1.4)	-66.67%
Pupil transportation	5.6	4.7	0.9	19.15%
General administration	14.5	12.6	1.9	15.08%
Maintenance and operations (plant services)	27.5	20.5	7.0	34.15%
Other	10.4	9.4	1.0	10.64%
Totals	$ 271.7	$ 250.2	$ 21.5	8.59%

Proprietary Funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance

Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the total net capital assets totaled $357.8 million. At June 30, 2018, the total net capital assets totaled $372.7 million. This amount represents a net increase (including additions, deductions, and depreciation) of $14.9 million, or 4.16 percent, from last year. In November 2012, the voters of Visalia approved Measure E, a $60.1 million bond issue to fund facility improvements at all of our school sites over 10 years old and build a new middle school. The increase is related to those construction projects and work in progress.

Table A-4
Capital Assets at Year-End
(Net of depreciation)

(Amounts in millions)

	Governmental Activities 2018	Governmental Activities 2017	Total Dollar Change 2018-2017	Total Percentage Change 2018-2017
Land	$ 18.3	$ 18.3	$ -	0.00%
Construction in progress	50.8	77.8	(27.0)	-34.70%
Buildings and improvements	292.7	251.8	40.9	16.24%
Equipment	10.9	9.9	1.0	10.10%
Totals	$ 372.7	$ 357.8	$ 14.9	4.16%

Long-Term Obligations

At June 30, 2017, the District had $419.1 million in long-term obligations outstanding versus $520.3 million at June 30, 2018, an increase of $101.2 million or 24.15 percent. Direct debt increased by $59.1 million in aggregate due to regular debt service payments and issuance of Certificates of Participation (COP). The Districts liabilities for retiree pensions and health insurance increased by $42.6 million which are attributed increases in the Districts Net Pension Liability as well as accounting changes as it relates to the Other Postemployment Benefits.

Table A-5
Outstanding Debt at Year-end

(Amounts in millions)

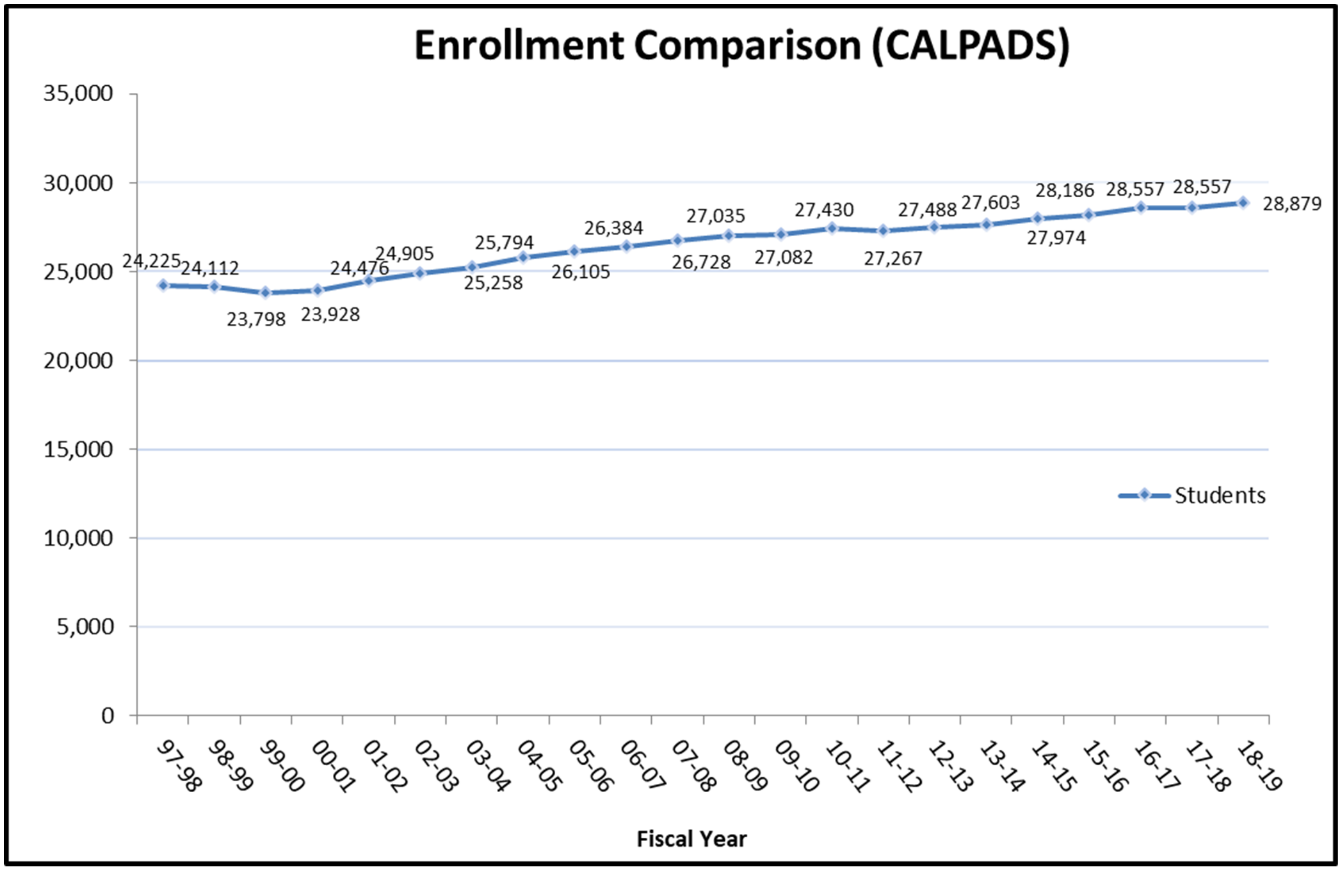
	Governmental Activities		Total Dollar Change	Total Percentage Change
	2018	2017	2018-2017	2018-2017
General obligation bonds	$ 63.2	$ 65.1	$ (1.9)	-2.92%
Certificates of participation	76.5	17.2	59.3	344.77%
Capitalized lease obligations	2.1	0.4	1.7	425.00%
Loan payable	0.2	0.2	-	100.00%
Other postemployment benefits liability	88.4	87.6	0.8	0.91%
Net Pension Liability	289.1	247.3	41.8	16.90%
Compensated Absences	0.8	1.3	(0.5)	-38.46%
Totals	$ 520.3	$ 419.1	$ 101.2	24.15%

The District's general obligation bond rating continues to be stable (currently AA-). The State limits the amount of general obligation debt that Districts can issue per Education Code Section 15106 to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $63.2 million is well below the statutorily-imposed limit of approximately $314.9 million.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits), and other long-term obligations. We present more detailed information regarding our long-term liabilities in the Notes to the Financial Statements.

STUDENT ENROLLMENT

The District continues to experience growth in enrollment in elementary grades; however, with the increase in popularity in charter schools within the District boundary that trend has stabilized. The District recognized a slight enrollment increase of 322 students to 28,879 in 2017-18, from a total of 28,557 in 2016-17. Additionally, the District's CBEDS to P2 ADA ratio remains above the State average at 95.53%.



SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

Progress toward full funding under the Local Control Funding Formula (LCFF) model saw great gains in 2017-18. At the end of the 2017-18 fiscal year, districts, on average, were about 96% fully funded. As in prior years, the LCFF gap funding percentage was revised by the state several times during the budget development process. The Governor's January 2017 budget proposal for the 2017-18 year initially proposed closing the gap between the 2016-17 LCFF funding level and full LCFF implementation targets by 23.67%. That figure increased with the May Revise budget proposal to 43.97% and settled slightly lower at 43.19% under the budget signed by the Governor in June 2017. The LCFF gap funding percentage continued to fluctuate slightly during the year based on various factors at the state level with the final number for 2017-18 landing at 44.97% at year end. This final change brought Visalia Unified almost 97% of the way toward full LCFF implementation.

Once LCFF reaches full funding, increases will be based on inflation and adjusted by the Cost of Living Adjustment (COLA). For 2017-18 the COLA is just 1.56%; however, pension and other costs are increasing at double that rate of over 3%.

The certificated and classified bargaining units reached an agreement with the District to provide a 2.5% salary increase for the 2017-18 year.

California State Teachers Retirement System (STRS) and California Public Employees Retirement System (PERS) rates paid by the district in 2017-18 increased over the prior year. The STRS rates were implemented by the state to offset shortfalls in the retirement program. The percentage of salary contributed to STRS by the district on-behalf of its teachers rose from 12.58% in 2016-17 to 14.43% in 2017-18. School district STRS contribution rates are expected to climb annually until 2020-21 when they are projected to reach 19.10%. PERS retirement rates for classified staff also grew slightly in 2017-18 going from 13.888% in 2016-17 to 15.531% in 2017-18. PERS rates are expected to increase to 19.80% by 2020-21.

The District has taken actions to mitigate these cost increases, opening a pension trust account with one-time funding in 2016-17. During 2017-18, the District maintained $6,535,200 in the pension trust account. In addition, VUSD maintains a reserve for economic uncertainties at 15% per Board policy.

Highlights of 2017-18

- Grand Opening of Riverway Elementary School
- Opening of Global Learning Charter School
- Started construction of our newest elementary school on the corner of Denton and Ferguson
- The Academic Learning Center opened at Pinkham elementary and is supporting 48 students in grades K-6
- Completed Phase II of Prop 39 energy efficiency projects
- Negotiated a contract with Tyler Munis to implement a new Business Information System (BIS)
- 70% of our students in grades TK-2 grew more than one grade level in reading
- Cut utility consumption by 18.7% resulting in a savings of $5,826,600 over 4 years
- Installed rechargeable battery system to help with storing energy and power conservation
- Twenty-two (22) modular classrooms were added to 10 sites over summer for grade span adjustments and increased enrollment
- 40% of our students are considered “prepared” in meeting the college and career readiness criteria
- All 39 sites were approved for Community Eligibility Provision (CEP) which allows students at all those sites to eat breakfast and lunch at no cost
- Implementation of the new Print Shop software to allow staff to print directly to the Print Shop
- The Linked Learning Academies continues to grow with over 1,300 students in all academies; 160 students were placed in internships this summer
- Completed migration and upgrade of the District’s website
- Awarded a second five year grant to support up to 35 classified employees in their goal to become teachers
- Served 3,139 employees or dependents through 7,799 appointments at our VUSD Health clinic
- 66% of 8th grade math scores increased as compared to previous year
- Transportation transported 1,564,615 students safely
- Three sites participated in the Tulare County Office of Education Quality Rating Improvement System (QRIS) and were awarded high ratings during their review
- Re-launched Positive Behavior Intervention & Supports (PBIS) to align our District to the national model for implementation
- Health Services performed 129,950 student health office visits
- Tulare County Step-Up Youth Challenge awarded Ridgeview and Divisadero with a $2,500 check to support future community projects
- Graduation rate was 91.7%
- VUSD credit rating from S&P increased from A+ to AA-, saving over $14 million in interest costs over the term of the Certificates of Participation (COP).
- Issued $59.8 million in Certificates of Participation to complete Measure E projects at Goshen, Ivanhoe, Golden West, and Redwood as well as the Denton & Ferguson Elementary School & Sequoia High School projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2018-19 State Budget proposes to fully fund the Local Control Funding Formula (LCFF) reaching the targeted funding levels two years ahead of the original schedule. The Governor's plan for the education budget increases revenues under the LCFF by $3.2 billion bringing total education funding to $78.4 billion from the low of $47.3 billion in 2011-12, at the depth of the Great Recession. By reaching this target level of funding, K-12 has been restored to the purchasing power that prevailed in 2007-08 adjusted for inflation.

California's economy continues to grow along with additional income, sales and corporation tax revenues. The passage of Proposition 30 in 2012 and the extension of the income tax portion of that measure in 2016 under Proposition 55, have generated much of the increases in revenues to expedite the implementation. However, the State is approaching the longest economic recovery in modern history, and the Governor continues to caution spending increases in revenue to prepare for the coming downturn and deposit to reserves.

As a refresher, the LCFF created base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, thus eliminating revenue limits and approximately three-quarters of state categorical (restricted) programs. This streamlined funding results in more flexibility for school leaders, with the assistance of parents and other local stakeholders, to determine the local academic priorities and how the state funding will be used to improve student achievement so that they graduate from high school and are college and career ready.

As part of this funding model, VUSD is required to develop, adopt, and annually update a three-year Local Control and Accountability Plan or LCAP. The LCAP is required to identify annual goals, specific actions, and measure progress for student subgroups across multiple performance indicators, including student academic achievement, school climate, student access to a broad curriculum, and parent engagement. The California School Dashboard will provide these measurements for success under the new funding formula.

Under the proposal, LCFF will reach full funding to the targets, in future years, LCFF increases will be based on the State's Cost of Living Adjustment (COLA). In 2018-19, the COLA is 2.71%, while the cost increases associated with pensions, step and column and other areas hover nearly 3%. Programs outside of the LCFF (Adult School, State Preschool and Child Nutrition) also receive the COLA.

Highlights of the VUSD 2018-19 Budget include:

- Implementation of the Local Control and Accountability Plan using supplemental and concentration (targeted) funds to improve services across the District by expanding student opportunities for learning, after-school enrichment and behavior support and intervention.
- Continued planning of Measure E modernization projects and continued construction of Denton Elementary School, as well as funding for modernization and routine maintenance projects throughout the District.
- Maintenance of the District Reserve for Economic Uncertainty of 13.5%

The District continues to budget conservatively and the key assumptions in our revenue forecast are:

1. Regular Average Daily Attendance (ADA) from 2017-18 P-2 K-12 with zero projected growth for 2018-19 is budgeted at 27,538.84.
2. Cost of Living Adjustment (COLA) increase of 2.71% on all State programs.
3. State Lottery is projected to be $194.00 per ADA, of which $48.00 is restricted to instructional materials, and $146.00 is unrestricted.
4. One-time dollars are not budgeted until received.
5. NCLB is budgeted with a 15% reduction or $1.5 million.

Expenditures are based on the following assumptions:

1. Step increases for certificated, management, and classified are budgeted in full at $3.2 million.
2. Health care costs per employee will be shared by the District and employee as negotiated. The annual cost of health care coverage will be $15,774 per certificated employee, $14,682 per management employee, and either $14,299 or $14,731 per classified employee depending on the option selected. The District will pay $14,269 per certificated employee, $14,143 per management employee and $14,550 per classified employee.
3. Routine Restricted Maintenance Account is funded at 3% of total General Fund expenditures.
4. Contributions to restricted programs to cover projected encroachment will be $38.6 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Robert Gröeber, Assistant Superintendent, Administrative Services, at Visalia Unified School District, 5000 West Cypress Avenue, Visalia, California 93277, or e-mail at rgroeber@vusd.org.

BASIC FINANCIAL STATEMENTS

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 229,914,024
Receivables	21,596,898
Stores inventory	344,888
Non-depreciable capital assets (Note 4)	69,130,279
Depreciable capital assets, net of accumulated depreciation (Note 4)	303,588,602
Total assets	624,574,691
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	90,321,147
Deferred outflows of resources - OPEB (Note 10)	6,537,924
Total deferred outflows	96,859,071
LIABILITIES	
Accounts payable	10,631,623
Claims liability (Note 5)	6,533,439
Unearned revenue	10,100,440
Long-term liabilities:	
Due within one year (Note 6)	3,913,564
Due after one year (Note 6)	516,440,033
Total liabilities	547,619,099
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	10,232,000
Deferred inflows of resources - OPEB (Note 10)	148,930
Total deferred inflows	10,380,930
NET POSITION	
Net investment in capital assets	301,951,344
Restricted	
Legally restricted programs	23,306,677
Capital projects	7,277,380
Debt service	6,484,690
Unrestricted	(175,586,358)
Total net position	$ 163,433,733

See accompanying notes to financial statements.

		Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges For Services	Operating Grants and Contri-butions	Capital Grants and Contri-butions	Governmental Activities
Governmental activities:					
Instruction	$ 195,235,095	$ 407,437	$ 35,409,928	$ -	$ (159,417,730)
Instruction-related services:					
Supervision of instruction	14,516,267	322,014	5,889,134	-	(8,305,119)
Instructional library, media and technology	2,547,948	-	129,915	-	(2,418,033)
School site administration	31,070,767	-	3,040,516	-	(28,030,251)
Pupil services:					
Home-to-school transportation	5,603,291	-	-	-	(5,603,291)
Food services	12,609,573	1,159,583	10,769,838	-	(680,152)
All other pupil services	17,668,636	67,783	2,786,800	-	(14,814,053)
General administration:					
Data processing	5,965,955	-	324,004	-	(5,641,951)
All other general administration	10,830,393	90,804	1,925,704	-	(8,813,885)
Plant services	33,361,369	2,638,977	3,214,626	-	(27,507,766)
Ancillary services	9,387,251	1,222	4,032,714	-	(5,353,315)
Enterprise activities	72,097	-	-	-	(72,097)
Other outgo	3,951,237	1,524,095	623,574	-	(1,803,568)
Interest on long-term liabilities	3,219,956	-	-	-	(3,219,956)
Total governmental activities	$ 346,039,835	$ 6,211,915	$ 68,146,753	$ -	(271,681,167)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	41,410,876
Taxes levied for debt service	2,751,324
Taxes levied for other specific purposes	1,104,649
Federal and state aid not restricted to specific purposes	230,006,309
Interest and investment earnings	(126,322)
Interagency revenues	2,092,229
Miscellaneous	3,312,398
Total general revenues	280,551,463
Change in net position	8,870,296
Net position, July 1, 2017	229,316,661
Cumulative effect of GASB 75 implementation	(74,753,224)
Net position July 1, 2017, as restated	154,563,437
Net position, June 30, 2018	$ 163,433,733

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	$100,593,864	$ 68,341,069	$ 15,513,963	$184,448,896
Cash on hand and in banks	-	-	55,505	55,505
Cash in revolving fund	39,655	-	-	39,655
Cash with Fiscal Agent	6,535,200	-	-	6,535,200
Receivables	18,598,678	152,289	2,845,931	21,596,898
Due from other funds	1,643,202	6,031,441	24,986	7,699,629
Stores inventory	190,430	-	154,458	344,888
Total assets	$127,601,029	$ 74,524,799	$ 18,594,843	$220,720,671
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 7,561,478	$ 1,502,939	$ 728,674	$ 9,793,091
Unearned revenue	9,977,959	-	122,481	10,100,440
Due to other funds	6,024,986	-	1,674,643	7,699,629
Total liabilities	23,564,423	1,502,939	2,525,798	27,593,160
Fund balances:				
Nonspendable	230,085	-	154,458	384,543
Restricted	16,473,369	73,021,860	15,914,587	105,409,816
Assigned	40,887,184	-	-	40,887,184
Unassigned	46,445,968	-	-	46,445,968
Total fund balances	104,036,606	73,021,860	16,069,045	193,127,511
Total liabilities and fund balances	$127,601,029	$ 74,524,799	$ 18,594,843	$220,720,671

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - Governmental Funds		$ 193,127,511
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $549,268,653 and the accumulated depreciation is $176,549,772 (Note 4).		372,718,881
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 at June 30, 2018 consisted of (Note 6):		
General Obligation Bonds	$ (55,559,971)	
Unamortized premiums	(4,708,825)	
Accreted Interest	(2,852,277)	
Certificates of Participation	(76,545,000)	
Capitalized lease obligations	(2,084,810)	
State school building loan	(210,000)	
Net pension liability (Note 8 and 9)	(289,130,000)	
Other postemployment benefits (Note 10)	(88,434,806)	
Compensated absences	(827,908)	
		(520,353,597)
In the governmental funds, interest on long-term liabilities 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.		(838,532)
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Note 8 and 9).		
Deferred outflows of resources relating to pensions	$ 90,321,147	
Deferred inflows of resources relating to pensions	(10,232,000)	
		80,089,147
Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported within the governmental activities in the Statement of Net Position.		32,301,329
In government funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported (Note 10).		
Deferred outflows of resources relating to OPEB	$ 6,537,924	
Deferred inflows of resources relating to OPEB	(148,930)	
		6,388,994
Total net position - governmental activities		$ 163,433,733

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 221,275,131	$ -	$ -	$ 221,275,131
Local sources	39,859,526	-	-	39,859,526
Total LCFF	261,134,657	-	-	261,134,657
Federal sources	19,367,167	-	11,305,827	30,672,994
Other state sources	28,495,962	-	7,878,253	36,374,215
Other local sources	16,538,126	(423,821)	10,640,953	26,755,258
Total revenues	325,535,912	(423,821)	29,825,033	354,937,124
Expenditures:				
Current:				
Certificated salaries	128,907,862	-	2,833,340	131,741,202
Classified salaries	42,337,605	-	5,993,634	48,331,239
Employee benefits	80,509,545	-	4,298,345	84,807,890
Books and supplies	16,913,348	337,039	5,478,862	22,729,249
Contract services and operating expenditures	29,593,604	1,889,777	1,069,210	32,552,591
Other outgo	5,029,246	-	-	5,029,246
Capital outlay	10,232,577	13,317,479	5,523,714	29,073,770
Debt service:				
Principal retirement	255,785	-	2,875,000	3,130,785
Interest	19,013	-	2,755,401	2,774,414
Total expenditures	313,798,585	15,544,295	30,827,506	360,170,386
Excess (deficiency) of revenues over (under) expenditures	11,737,327	(15,968,116)	(1,002,473)	(5,233,262)
Other financing (uses) sources:				
Transfers in	1,053,263	6,050,000	1,143,800	8,247,063
Transfers out	(7,193,800)	-	(1,053,263)	(8,247,063)
Proceeds from issuance of long-term debt	1,896,030	59,780,000	-	61,676,030
Total other financing (uses) sources	(4,244,507)	65,830,000	90,537	61,676,030
Change in fund balances	7,492,820	49,861,884	(911,936)	56,442,768
Fund balances, July 1, 2017	96,543,786	23,159,976	16,980,981	136,684,743
Fund balances, June 30, 2018	$ 104,036,606	$ 73,021,860	$ 16,069,045	$ 193,127,511

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds	$ 56,442,768
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	28,561,098
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(13,652,527)
The proceeds from disposal of capital assets are reported as revenue in the governmental funds, but only the resulting gain or loss is reported in the statement of activities.	(745)
The proceeds from debt are recognized as other financing sources in the governmental funds, but are reported as increases to liabilities in the government-wide statements	(61,676,030)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	3,130,785
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	167,743
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(653,224)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	40,677
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis (Note 6).	5,717,330
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. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(11,473,194)

(Continued)

In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	428,512
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net position for the Self-Insurance Fund was:	1,837,103
Change in net position of governmental activities	$ 8,870,296

See accompanying notes to financial statements.

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 17,010,066
Cash with Fiscal Agent	21,824,702
Total current assets	38,834,768
LIABILITIES	
Current liabilities:	
Claims payable	6,533,439
Total liabilities	6,533,439
NET POSITION	
Unrestricted	$ 32,301,329

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2018

Operating revenues:	
Self-insurance premiums	$ 44,140,278
Other local revenues	227,495
Total operating revenues	44,367,773
Operating expenses:	
Classified salaries	287,282
Employee benefits	148,103
Books and supplies	465
Contract services	42,268,797
Total operating expenses	42,704,647
Operating income	1,663,126
Non-operating income:	
Interest income	173,977
Change in net position	1,837,103
Total net position, July 1, 2017	30,464,226
Total net position, June 30, 2018	$ 32,301,329

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 45,147,366
Cash paid for employee claims benefits	(42,265,486)
Cash paid for salaries and related benefits	(435,385)
Cash paid for other expenses	(4,993)
Net cash provided by operating activities	2,441,502
Cash flows provided by investing activities:	
Interest income received	173,977
Increase in cash and investments	2,615,479
Cash and investments, July 1, 2017	36,219,289
Cash and investments, June 30, 2018	$ 38,834,768
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 1,663,126
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in:	
Receivables	5,110
Increase (decrease) in:	
Claims liability	774,483
Due to other funds	(1,217)
Total adjustments	778,376
Net cash provided by operating activities	$ 2,441,502

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	Agency Funds
ASSETS	
Cash in County Treasury	$ 14,801,406
Cash on hand and in banks (Note 2)	1,022,961
Total assets	$ 15,824,367
LIABILITIES	
Due to others	14,262,244
Due to student groups	1,562,123
Total liabilities	$ 15,824,367

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Visalia Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. 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. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

The District and the Visalia Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District. Accordingly, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended:

A - Manifestation of Oversight

- The Corporation's Board of Directors were appointed by the District's Board of Education.
- The Corporation has no employees. The District's Superintendent and Assistant Superintendents function as agents of the Corporation. Neither receives additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be sole lessee of all facilities owned by the Corporation.

B - Accounting for Fiscal Matters

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

- The Corporation was created for the sole purpose of financially assisting the District.
- The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.
- The Corporation's financial activity is included in the basic financial statements as the Capital Facilities and Debt Service Funds. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - 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, liabilities, 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Reserve for Capital Outlay Projects Fund - The Special Reserve for Capital Outlay Projects Fund is a capital projects fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for capital outlay purposes.

B - Other Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development and Cafeteria Funds.

Capital Projects Funds - Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Building, Capital Facilities, and County School Facilities Funds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption and Debt Service Funds.

Self-Insurance Fund - The Self-Insurance Fund is a proprietary fund used to account for the District's self-insured health and welfare plan.

Agency Funds - Agency Funds are Fiduciary Funds which are used to account for assets of others, for which the District has an agency relationship with the activity of the fund. This classification consists of the Warrant/Pass-Through and the Associated Student Body (ASB) Funds.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2018.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: The District maintains a capitalization threshold of an original cost of $5,000 for equipment and $15,000 for buildings and improvements. When purchased, such assets are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives for the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment 2 to 15 years.

Compensated Absences: Compensated absences totaling $827,908 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense 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 for certain STRP and PERF B employees, when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Interfund Activity: Interfund activity is reported as either 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 market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Custodial Relationships: The Agency Funds represent the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized deferred outflows of resources related to the recognition of the net pension and net OPEB liabilities, reported in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the recognition of the net pension and net OPEB liabilities, reported in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 63,160,488	$ 27,160,659	$ 90,321,147
Deferred inflows of resources	$ 9,317,000	$ 915,000	$ 10,232,000
Net pension liability	$211,382,000	$ 77,748,000	$289,130,000
Pension expense	$ 33,792,031	$ 15,801,706	$ 49,593,737

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets: Consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

2. Restricted Net Position: Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position which the District plans to expend on debt repayment. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.

3. Unrestricted Net Position: All other net position that do not meet the definitions of "restricted" or "net investments in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2018 there were no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2018, the Board of Education has designated the Chief Financial Officer with the authority to assign fund balances.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2018, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of Tulare bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities 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. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated decreasing net position by $74,753,224, as a result of the recognition of the net OPEB liability and related deferred inflows of resources.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

	Governmental Funds	Proprietary Fund	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	$184,448,896	$ 17,010,066	$ 14,801,406
Deposits:			
Cash on hand and in banks	55,505	-	1,022,961
Cash in revolving fund	39,655	-	-
Investments:			
Cash with Fiscal Agent	6,535,200	21,824,702	-
Total cash and investments	$191,079,256	$ 38,834,768	$ 15,824,367

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Tulare County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

In accordance with applicable state laws, the Tulare County Treasurer may invest in derivative securities. However, at June 30, 2018, the Tulare County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts was $1,118,121 and the bank balance was $1,009,441. The total uninsured bank balance at June 30, 2018 was $196,383.

Investments: The Cash with Fiscal Agent in the General Fund represents funds held for future pension costs. These amounts are held in a trust administered by the Public Agency Retirement Services ("PARS") and have been recorded on the amortized cost basis.

The Cash with Fiscal Agent in the Proprietary Fund represents cash segregated for the future payment of self-insured benefits. These amounts are held by a third party custodian in the District's name, and are recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2018 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 1,643,202	$ 6,024,986
Special Reserve for Capital Outlay Projects	6,031,441	-
Non-Major Funds:		
Adult Education	23,688	309,196
Child Development	-	141,893
Cafeteria	1,298	1,192,113
Building	-	31,441
Totals	$ 7,699,629	$ 7,699,629

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to support construction costs.	$ 6,050,000
Transfer from the General Fund to the Debt Service Fund for Certificate of Participation payment.	1,120,113
Transfer from the Cafeteria Fund to the General Fund for indirect costs support.	680,826
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	259,770
Transfer from the General Fund to the Adult Education Fund to correct payroll costs for the Adult School Instructor.	23,687
Transfer from the Child Development Fund to the General Fund for indirect costs support.	112,667
	$ 8,247,063

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

Governmental Activities	Balance July 1, 2017	Additions	Transfers and Deductions	Balance June 30, 2018
Non-depreciable:				
Land	$ 18,331,027	$ -	$ -	$ 18,331,027
Work-in-process	77,812,087	17,388,756	(44,401,591)	50,799,252
Depreciable:				
Buildings and improvements	391,995,653	8,145,254	44,401,591	444,542,498
Furniture and equipment	32,840,155	3,027,088	(271,367)	35,595,876
Totals, at cost	520,978,922	28,561,098	(271,367)	549,268,653
Less accumulated depreciation:				
Buildings and improvements	(140,190,260)	(11,683,696)	-	(151,873,956)
Furniture and equipment	(22,977,607)	(1,968,831)	270,622	(24,675,816)
Total accumulated depreciation	(163,167,867)	(13,652,527)	270,622	(176,549,772)
Capital assets, net	$ 357,811,055	$ 14,908,571	$ (745)	$ 372,718,881

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 8,639,012
Instruction supervision and administration	567,233
Instruction library, media, and technology	144,028
School site administration	1,456,230
Home-to-school transportation	221,028
Food services	335,259
All other pupil services	716,304
Ancillary services	170,332
Enterprise activities	22,041
All other general administration	326,037
Data processing	162,659
Plant services	892,364
Total depreciation expense	$ 13,652,527

(Continued)

NOTE 5 - RISK MANAGEMENT/CLAIMS LIABILITY

The District's risk management activities for employee health benefits are recorded in the Self-Insurance Fund. District exposure to workers' compensation claims and property/liability are provided for through the purchase of insurance from a joint powers entity, Self-Insured Schools of California III (see Note 11).

The District records an estimated liability for health care. Health and welfare liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses and an estimate for claims incurred but not reported based on historical experience. The Self-Insurance fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. Coverage amounts over property and liability, $250,000,000 and $50,000,000 respectively, have remained unchanged. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

	June 30, 2018	June 30, 2017
Unpaid claim and claim adjustment expenses, beginning of year	$ 5,758,956	$ 4,641,125
Total incurred claims and claim adjustment expenses	43,043,280	37,144,480
Total payments	(42,268,797)	(36,026,649)
Total unpaid claims and claim adjustment expenses at end of year	$ 6,533,439	$ 5,758,956

(Continued)

NOTE 6 - LONG-TERM LIABILITIES

On April 25, 2013, the District issued Election of 2012, Series 2013 General Obligation Bonds totaling $33,999,971. The Bonds were comprised of $22,725,000 which were issued as Current Interest Bonds, and $11,274,971 which were issued as Capital Appreciation Bonds. The proceeds of the Bonds are being used to update and construct District facilities. The Bonds bear interest at rates ranging from 4.00% to 5.35% and mature through August 2043, as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 290,000	$ 934,763	$ 1,224,763
2020	85,000	920,263	1,005,263
2021	1,170,000	916,013	2,086,013
2022	1,170,000	857,513	2,027,513
2023	1,255,000	799,013	2,054,013
2024-2028	5,256,919	5,680,106	10,937,025
2029-2033	3,961,105	8,233,895	12,195,000
2034-2038	3,538,035	10,761,965	14,300,000
2039-2043	11,878,912	3,840,388	15,719,300
2044	2,260,000	113,000	2,373,000
	$ 30,864,971	$ 33,056,919	$ 63,921,890

On June 18, 2015, the District issued Election of 2012, Series 2015 General Obligation Bonds, totaling $26,100,000. The proceeds of the Bonds are being used to fund the modernization of existing schools and construction of new facilities. The bonds bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through August 2040, as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,350,000	$ 1,060,300	$ 2,410,300
2020	700,000	1,009,050	1,709,050
2021	425,000	980,925	1,405,925
2022	570,000	956,050	1,526,050
2023	635,000	925,925	1,560,925
2024-2028	3,885,000	4,099,875	7,984,875
2029-2033	5,365,000	2,957,650	8,322,650
2034-2038	6,610,000	1,713,200	8,323,200
2039-2041	5,155,000	317,100	5,472,100
	$ 24,695,000	$ 14,020,075	$ 38,715,075

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation: In June 2015, the District issued Certificates of Participation (2015 COPs) in the amount of $18,435,000. The 2015 COPs bear interest at rates ranging from 3.0% to 5.0% and mature through September 1, 2038. Proceeds from the issuance of the 2015 COPs were used for the acquisition and improvement of District property and facilities and to refund on a current basis, the outstanding balance of the 2005 COPs and the remaining capitalized lease obligation for the Visalia Charter Independent School building.

In May 2018, the District issued Certificates of Participation (2018 COPs) in the amount of $59,780,000. The 2018 COPs bear interest at rates ranging from 3.0% to 5.0% and mature through May 1, 2048. Proceeds from the issuance of the 2018 COPs were used for the acquisition, construction, modernization, and installation of school facilities improvements.

Scheduled payments for the 2015 COPs are as follows:

Year Ending June 30,	COPs Payments
2019	$ 1,163,163
2020	1,206,463
2021	1,252,063
2022	1,291,288
2023	1,338,413
2024-2028	6,784,513
2029-2033	5,469,913
2034-2038	4,638,403
2039	484,500
Total payments	23,628,719
Less amount representing interest	(6,863,719)
Net present value of minimum payments	$ 16,765,000

Scheduled payments for the 2018 COPs are as follows:

Year Ending June 30,	COPs Payments
2019	$ 3,214,390
2020	3,346,300
2021	3,342,050
2022	3,345,050
2023	3,344,800
2024-2028	16,712,900
2029-2033	16,721,219
2034-2038	16,723,380
2039-2043	16,713,538
2044-2048	16,723,200
Total payments	100,186,827
Less amount representing interest	(40,406,827)
Net present value of minimum payments	$ 59,780,000

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases a building, print shop, and buses under agreements which provide either (a) for title to pass upon expiration of the lease period or (b) provide the District with a purchase agreement upon the expiration of the lease period. As of June 30, 2018, the historical cost of capital assets acquired in connection with the leases totaled $2,621,122 and the accumulated depreciation was $157,602.

Future yearly payments on the capitalized lease obligations are as follows:

Year Ending June 30,	Lease Payments
2019	$ 555,309
2020	555,309
2021	401,628
2022	401,628
2023	280,511
Total payments	2,194,385
Less amount representing interest	(109,575)
Net present value of minimum lease payments	$ 2,084,810

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017, As Restated	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 57,984,971	$ -	$ 2,425,000	$ 55,559,971	$ 1,640,000
Unamortized premiums	4,876,568	-	167,743	4,708,825	164,960
Accreted interest	2,199,053	653,224	-	2,852,277	-
Certificates of Participation	17,215,000	59,780,000	450,000	76,545,000	1,595,000
Capitalized lease obligations	444,565	1,896,030	255,785	2,084,810	513,604
State school building loan	210,000	-	-	210,000	-
Net pension liability (Note 8 & 9)	247,343,000	41,787,000	-	289,130,000	-
Other postemployment benefits (Note 10)	87,576,979	9,104,070	8,246,243	88,434,806	-
Compensated absences	1,256,420	-	428,512	827,908	-
	$ 419,106,556	$ 113,220,324	$ 11,973,283	$ 520,353,597	$ 3,913,564

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service Fund. Payments on the capitalized lease obligations and the state school building loan are made from the General Fund. Payments on other postemployment benefits, net pension liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	$ 39,655	$ -	$ -	$ 39,655
Stores inventory	190,430	-	154,458	344,888
Subtotal nonspendable	230,085	-	154,458	384,543
Restricted:				
Legally restricted programs	16,473,369	-	6,833,308	23,306,677
Capital projects	-	73,021,860	2,596,589	75,618,449
Debt service	-	-	6,484,690	6,484,690
Subtotal restricted	16,473,369	73,021,860	15,914,587	105,409,816
Assigned:				
Other postemployment benefits	16,137,501	-	-	16,137,501
Pension trust account	6,535,200	-	-	6,535,200
Capital projects	11,187,186	-	-	11,187,186
Site level programs	556,493	-	-	556,493
Charter schools	956,108	-	-	956,108
Reserve for textbooks adoption/library	4,658,690	-	-	4,658,690
Other assignments	856,006	-	-	856,006
Subtotal assigned	40,887,184	-	-	40,887,184
Unassigned:				
Designated for economic uncertainty	46,213,917	-	-	46,213,917
Undesignated	232,051	-	-	232,051
Subtotal unassigned	46,445,968	-	-	46,445,968
Total fund balances	$104,036,606	$ 73,021,860	$ 16,069,045	$193,127,511

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Employers – 14.43 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $18,555,488 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding[1]	Total State Appropriation to DB Program
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the $72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

District's proportionate share of the net pension liability	$ 211,382,000
State's proportionate share of the net pension liability associated with the District	125,053,000
Total	$ 336,435,000

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District's proportion was 0.229 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $33,792,031 and revenue of $12,427,397 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
Difference between expected and actual experience	$ 782,000	$ 3,687,000
Changes of assumptions	39,161,000	-
Net differences between projected and actual earnings on investments	-	5,630,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,662,000	-
Contributions made subsequent to measurement date	18,555,488	-
Total	$ 63,160,488	$ 9,317,000

$18,555,488 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Years Ended June 30,	
2019	$ 2,152,367
2020	$ 10,374,367
2021	$ 7,343,867
2022	$ 1,831,533
2023	$ 6,792,033
2024	$ 6,793,833

Differences between expected and actual experience and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earrings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP 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:

	Measurement Period	
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	3.50%	3.75%

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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 CalSTRS 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 geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return/Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. 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 increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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 calculated using the discount rate of 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$310,376,000	$211,382,000	$131,042,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf

Benefits Provided: The benefits for the defined benefit plans 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. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when district's first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed $7,137,659 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $77,748,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District's proportion was 0.326 percent, which was an increase of 0.014 percent from its proportion measured as of June 30, 2016.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2018, the District recognized pension expense of $15,801,706. 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
Difference between expected and actual experience	$ 2,785,000	$ -
Changes of assumptions	11,356,000	915,000
Net differences between projected and actual earnings on investments	2,690,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,192,000	-
Contributions made subsequent to measurement date	7,137,659	-
Total	$ 27,160,659	$ 915,000

$7,137,659 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2019	$ 5,983,250
2020	$ 8,705,250
2021	$ 5,892,250
2022	$ (1,472,750)

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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, please refer to the 2014 experience study report.

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, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

The table below reflects 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	Long -Term* Assumed Asset Allocation	Expected Real Rate of Return Years of 1 - 10 (1)	Expected Real Rate of Return Years of 11+ (2)
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation of Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average
(1) An expected inflation rate of 2.50% used for this period
(2) An expected inflation rate of 3.00% used for this period

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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.

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 cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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 calculated using the discount rate of 7.15 percent, 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 114,393,000	$ 77,748,000	$ 47,349,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (Plan). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical insurance coverage. The District's Board of Education has the authority to establish or amend the benefit terms offered by the Plan. The District's Board of Education also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2018 the District has accumulated assets in a qualified trust provided by Public Agency Retirement Services (PARS) for the purpose of paying the benefits related to the District's net OPEB liability. Assets contributed to the plan are included in the PARS trust financial statements. Copies of PARS independent financial statements may be obtained from the Public Agency Retirement Services – 4350 Von Karman Avenue, Newport Beach, CA 92660.

Benefits Provided*:* In accordance with contracts between the District and the respective employee groups, employees who retire on or after reaching age 55 with at least 15 years of service, are entitled to benefits through the Plan, up to age 65. Under the Plan, employees who retire from a full-time position receive District-paid medical benefits equal to the coverage provided to full-time active employees, excluding life insurance benefits. Employees who retire from the District having worked more than 50% but less than 75% of full-time are entitled to pro-rated benefits, which vary by employee group. Employees who retire from the District having worked less than 50% of full-time are not entitled to receive benefits under the Plan.

Certificated and Management Employees: Certificated and management employees who retire from the District having worked more than 50% but less than 75% of full-time, receive District contributions towards medical benefits equal to one-half of the coverage provided to employees who retire from a full-time position. For the year ended June 30, 2018, the required contribution amounts for certificated and management retirees is $1,260 and $792 per year, respectively. Retirees must contribute $756 per year for a covered spouse, in addition to $192 per covered dependent, up to a maximum of three dependents.

Classified Employees: Classified employees who retire from the District having worked at least 3 hours but less than 4 hours per day receive contributions towards medical benefits equal to 25 percent of the coverage provided to classified employees who retire from a full-time position. Classified employees working at least 4 hours but less than 5 hours per day receive contributions towards medical benefits equal to 50 percent of the coverage provided to classified employees who retire from a full-time position. Classified employees working at least 5 hours but less than 6 hours per day receive contributions towards medical benefits equal to 50 percent of the coverage provided to classified employees who retire from a full-time position.

The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions*:* California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. District and retiree contributions to the cost of healthcare vary depending on employee group in which the retiree worked and percentage of full-time employment of the individual. Contributions to the Plan from the District were $6,537,924 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Plan Investments: The discount rate of 5.00% was determined using the following asset allocation and assumed rate of return, adjusted for conservatism:

Asset Class	Percentage of Portfolio	Rate of Return*
US Large Cap	40%	7.8%
US Mid Cap	20%	7.8%
Long-Term Corporate Bonds	20%	5.3%
Long-Term Government Bonds	15%	4.5%
Intermediate-Term Government Bonds	5%	4.5%

* Geometric average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	351
Active employees	2,423
	2,774

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Actuarial Method	Entry Age actuarial cost method, level percentage of payroll.
Discount Rate	5.00%.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Long-Term Investment Rate of Return	The long-term rate of return on investments was determined to be 5.00%. This was computed as PARS' expected long-term mean rate of return of 6.25% with an adjustment for conservatism.
Mortality Rates	Mortality rates are taken from the 2014 CalPERS OPEB Assumptions Model (for classified employees) and from the 2016 valuation of CalSTRS (for certificated employees).
Health Care Increases	Medical insurance premiums are assumed to increase by 5.00% in fiscal 2019 onwards. Future retiree contributions are assumed to remain unchanged after 2018.
Turnover/Retirement Rates	Termination and retirement rates were taken from the most recent experience studies for CalPERS (2014) and CalSTRS (2016).
Inflation Rate	2.75% per year
Salary Increases	3.00% per year
Coverage Elections	100% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under the District plans until age 65.
Medicare Coverage	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
Medical Claims	Medical claims were estimated based on the true per person costs of coverage during the year ended June 30, 2017. The age-specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees

Age	Cost
40	$10,300
45	$12,904
50	$15,982
55	$19,060
60	$23,322
64	$23,322

Discount Rate: All future benefit payments were discounted using a discount rate of 5.00%. As the plan is funded by an irrevocable trust, and the plans' projected contributions and net position are expected to fully cover future benefit payments, the discount rate has been set to equal the long-term rate of return on plan investments. The long-term mean rate of return on plan investments of 6.25% has been adjusted to 5.00% for conservatism.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2017	$ 89,576,563	$ 1,999,584	$ 87,576,979
Changes for the year:			
Service cost	4,824,244	-	4,824,244
Interest	4,279,826	-	4,279,826
Employer contributions	-	7,960,101	(7,960,101)
Net investment income	-	286,142	(286,142)
Benefits paid to retirees	(7,960,101)	(7,960,101)	-
Net change	1,143,969	286,142	857,827
Balance at June 30, 2018	$ 90,720,532	$ 2,285,726	$ 88,434,806

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Fiduciary Net Position as a % of the total OPEB liability, at June 30, 2018: 2.5%

Sensitivity of the Net OPEB Liability to changes in the Discount Rate: The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	$ 96,177,164	$ 88,434,806	$ 81,474,186

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	$ 80,103,863	$ 88,434,806	$ 98,163,005

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $8,880,565. 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
Net differences between projected and actual earnings on investments	$ -	$ 148,930
Benefits paid subsequent to measurement date	6,537,924	-
Total	$ 6,537,924	$ 148,930

$6,537,924 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	
2019	$ (37,233)
2020	$ (37,233)
2021	$ (37,233)
2022	$ (37,231)

Deferred inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 11 - JOINT POWERS AUTHORITIES

The District is a member of the Schools Excess Liability Fund (SELF), Self-Insured Schools of California III (SISC III), Tulare County Schools Insurance Group (TCSIG), the Tulare County School District's Self-Insurance Authority (TCSDIA), the Protected Insurance Program for Schools (PIPS), and Nor-Cal Relief (NCR) public entity risk polls. The District pays an annual premium to each entity for its excess health, worker's compensation, and property liability coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes. The District is also a member of the Visalia Civic Facilities Authority Joint Powers Authority (VCFJPA). No audited financial information is available for the VCFJPA as of June 30, 2018 however the financial activity of the JPA is not expected to be significant to the District. There have been no significant reductions in insurance coverage from coverage provided in the prior year.

NOTE 11 - JOINT POWERS AUTHORITIES (Continued)

Condensed audited financial information for the District's JPAs at June 30, 2018 for NCR, June 30, 2017 (most recent information available) for SELF, TCSIG, TCSDSIA, PIPS, and September 30, 2017 (most recent information available) for SISC III are as follows:

	SELF	SISC III	TCSIG	TCSDSIA	PIPS	NCR
Total assets	$ 126,226,732	$ 540,842,328	$ 4,013,038	$ 1,720,794	$ 129,260,118	$ 77,792,147
Deferred outflows of resources	$ 353,399	$ -	$ -	$ -	$ -	$ -
Total liabilities	$ 104,103,406	$ 173,862,442	$ 2,809,221	$ 664,015	$ 111,815,654	$ 65,492,460
Deferred inflows of resources	$ 47,698	$ -	$ -	$ -	$ -	$ -
Net position	$ 22,429,027	$ 366,979,886	$ 1,203,817	$ 1,056,779	$ 17,444,464	$ 12,299,687
Total revenues	$ 14,641,179	$ 2,089,274,509	$ 21,331,201	$ 3,176,624	$ 302,601,409	$ 55,084,818
Total expenses	$ 13,746,773	$ 1,984,882,354	$ 21,390,304	$ 3,138,658	$ 298,507,919	$ 58,831,210
Change in net position	$ 894,406	$ 104,392,155	$ (59,103)	$ 37,966	$ 4,093,490	$ (3,746,392)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

Construction Commitments: As of June 30, 2018, the District has $24.6 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 223,716,446	$ 221,275,131	$ 221,275,131	$ -
Local sources	34,221,759	39,859,526	39,859,526	-
Total LCFF	257,938,205	261,134,657	261,134,657	-
Federal sources	17,098,603	19,367,167	19,367,167	-
Other state sources	17,870,808	28,495,962	28,495,962	-
Other local sources	10,615,555	16,515,248	16,538,126	22,878
Total revenues	303,523,171	325,513,034	325,535,912	22,878
Expenditures:				
Current:				
Certificated salaries	127,377,951	128,907,862	128,907,862	-
Classified salaries	42,708,242	42,337,605	42,337,605	-
Employee benefits	77,755,499	80,509,545	80,509,545	-
Books and supplies	17,325,799	16,913,348	16,913,348	-
Contract services and operating expenditures	23,479,427	29,593,604	29,593,604	-
Other outgo	2,688,555	5,029,246	5,029,246	-
Capital outlay	7,912,990	10,232,577	10,232,577	-
Debt service:				
Principal retirement	142,104	255,785	255,785	-
Interest	11,578	19,013	19,013	-
Total expenditures	299,402,145	313,798,585	313,798,585	-
Excess of revenues over expenditures	4,121,026	11,714,449	11,737,327	22,878
Other financing (uses) sources:				
Transfers in	973,658	1,085,917	1,053,263	(32,654)
Transfers out	(1,412,687)	(7,584,566)	(7,193,800)	390,766
Proceeds from issuance of long-term debt	-	-	1,896,030	1,896,030
Total other financing (uses) sources	(439,029)	(6,498,649)	(4,244,507)	358,112
Change in fund balance	3,681,997	5,215,800	7,492,820	380,990
Fund balance, July 1, 2017	96,543,786	96,543,786	96,543,786	-
Fund balance, June 30, 2018	$ 100,225,783	$ 101,759,586	$ 104,036,606	$ 380,990

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years

Total OPEB liability	
Service cost	$ 4,824,244
Interest	4,279,826
Benefit payments	(7,960,101)
Net change in total OPEB liability	1,143,969
Total OPEB liability, beginning of year	89,576,563
Total OPEB liability, end of year (a)	$ 90,720,532
Plan fiduciary net position	
Contributions - employer	$ 7,960,101
Net investment income	286,142
Benefit payments	(7,960,101)
Net change in plan fiduciary net position	286,142
Plan fiduciary net position, beginning of year	1,999,584
Plan fiduciary net position, end of year (a)	$ 2,285,726
Net OPEB liability, end of year	$ 88,434,806
Covered employee payroll	$ 169,247,768
Plan fiduciary net position as a percentage of covered-employee payroll	1.35%
Net OPEB liability as a percentage of covered-employee payroll	52.25%

(a) This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.220%	0.225%	0.230%	0.229%
District's proportionate share of the net pension liability	$128,708,000	$151,391,000	$185,666,000	$211,382,000
State's proportionate share of the net pension liability associated with the District	77,720,000	80,069,000	105,706,000	125,053,000
Total net pension liability	$206,428,000	$231,460,000	$291,372,000	$336,435,000
District's covered payroll	$ 98,100,000	$104,372,000	$114,403,000	$121,141,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.285%	0.298%	0.312%	0.326%
District's proportionate share of the net pension liability	$ 32,390,000	$ 43,931,000	$ 61,677,000	$ 77,748,000
District's covered payroll	$ 29,950,000	$ 32,996,000	$ 37,465,000	$ 41,524,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.14%	164.63%	187.24%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 9,268,239	$ 12,275,486	$ 15,239,531	$ 18,555,488
Contributions in relation to the contractually required contribution	(9,268,239)	(12,275,486)	(15,239,531)	(18,555,488)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$104,372,000	$114,403,000	$121,141,000	$128,590,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 3,883,945	$ 4,438,484	$ 5,767,704	$ 7,137,659
Contributions in relation to the contractually required contribution	(3,883,945)	(4,438,484)	(5,767,704)	(7,137,659)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 32,996,000	$ 37,465,000	$ 41,524,000	$ 45,957,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as accounting standards generally accepted in the United States of America (GAAP).

B - Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.65, 7.65, 7.65, and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period		
Assumptions	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2018

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
ASSETS									
Cash in County Treasury	$ 5,121,227	$ 214,282	$ 1,095,019	$ 34,162	$ 2,358,094	$ 206,489	$ 6,484,690	$ -	$ 15,513,963
Cash on hand and in banks	26,365	-	29,140	-	-	-	-	-	55,505
Receivables	327,799	435,548	1,515,751	-	566,833	-	-	-	2,845,931
Store inventory	-	-	154,458	-	-	-	-	-	154,458
Due from other funds	23,688	-	1,298	-	-	-	-	-	24,986
Total assets	$ 5,499,079	$ 649,830	$ 2,795,666	$ 34,162	$ 2,924,927	$ 206,489	$ 6,484,690	$ -	$ 18,594,843
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 123,207	$ 37,895	$ 30,024	$ 2,721	$ 534,827	$ -	$ -	$ -	$ 728,674
Unearned revenue	-	122,481	-	-	-	-	-	-	122,481
Due to other funds	309,196	141,893	1,192,113	31,441	-	-	-	-	1,674,643
Total liabilities	432,403	302,269	1,222,137	34,162	534,827	-	-	-	2,525,798
Fund balances:									
Nonspendable	-	-	154,458	-	-	-	-	-	154,458
Restricted	5,066,676	347,561	1,419,071	-	2,390,100	206,489	6,484,690	-	15,914,587
Total fund balances	5,066,676	347,561	1,573,529	-	2,390,100	206,489	6,484,690	-	16,069,045
Total liabilities and fund balances	$ 5,499,079	$ 649,830	$ 2,795,666	$ 34,162	$ 2,924,927	$ 206,489	$ 6,484,690	$ -	$ 18,594,843

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2018

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
Revenues:									
Federal sources	$ 539,727	$ 171,964	$ 10,594,136	$ -	$ -	$ -	$ -	$ -	$ 11,305,827
Other state sources	5,182,031	1,899,408	796,814	-	-	-	-	-	7,878,253
Other local sources	542,477	16,764	1,222,026	2,624	4,407,647	2,974	4,446,441	-	10,640,953
Total revenues	6,264,235	2,088,136	12,612,976	2,624	4,407,647	2,974	4,446,441	-	29,825,033
Expenditures:									
Current:									
Certificated salaries	2,628,974	204,366	-	-	-	-	-	-	2,833,340
Classified salaries	750,636	1,108,564	4,134,434	-	-	-	-	-	5,993,634
Employee benefits	1,461,281	370,939	2,466,125	-	-	-	-	-	4,298,345
Books and supplies	319,722	198,925	4,960,215	-	-	-	-	-	5,478,862
Contract services and operating expenditures	454,188	87,313	147,923	212,353	167,433	-	-	-	1,069,210
Capital outlay	159,806	-	123,336	147,322	5,093,250	-	-	-	5,523,714
Debt service:									
Principal retirement	-	-	-	-	-	-	2,425,000	450,000	2,875,000
Interest	-	-	-	-	-	-	2,085,288	670,113	2,755,401
Total expenditures	5,774,607	1,970,107	11,832,033	359,675	5,260,683	-	4,510,288	1,120,113	30,827,506
Excess (deficiency) of revenues over (under) expenditures	489,628	118,029	780,943	(357,051)	(853,036)	2,974	(63,847)	(1,120,113)	(1,002,473)
Other financing (uses) sources:									
Transfers in	23,687	-	-	-	-	-	-	1,120,113	1,143,800
Transfers out	(259,770)	(112,667)	(680,826)	-	-	-	-	-	(1,053,263)
Total other financing (uses) sources	(236,083)	(112,667)	(680,826)	-	-	-	-	1,120,113	90,537
Net change in fund balances	253,545	5,362	100,117	(357,051)	(853,036)	2,974	(63,847)	-	(911,936)
Fund balances, July 1, 2017	4,813,131	342,199	1,473,412	357,051	3,243,136	203,515	6,548,537	-	16,980,981
Fund balances, June 30, 2018	$ 5,066,676	$ 347,561	$ 1,573,529	$ -	$ 2,390,100	$ 206,489	$ 6,484,690	$ -	$ 16,069,045

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Student Body Funds				
Elementary Schools				
Assets:				
Cash in County Treasury	$ 228,737	$ 270,457	$ 252,095	$ 247,099
Cash on hand and in banks	7,522	-	7,522	-
Total assets	$ 236,259	$ 270,457	$ 259,617	$ 247,099
Liabilities:				
Due to student groups	$ 236,259	$ 270,457	$ 259,617	$ 247,099
Middle Schools				
Assets:				
Cash in County Treasury	$ 250,769	$ 712,820	$ 698,001	$ 265,588
Cash on hand and in banks	-	-	-	-
Total assets	$ 250,769	$ 712,820	$ 698,001	$ 265,588
Liabilities:				
Due to student groups	$ 250,769	$ 712,820	$ 698,001	$ 265,588
High Schools				
Assets:				
Cash in County Treasury	$ 50,802	$ 16,625	$ 40,952	$ 26,475
Cash on hand and in banks	969,059	3,436,818	3,382,916	1,022,961
Total assets	$ 1,019,861	$ 3,453,443	$ 3,423,868	$ 1,049,436
Liabilities:				
Due to student groups	$ 1,019,861	$ 3,453,443	$ 3,423,868	$ 1,049,436
Total Student Body Funds				
Assets:				
Cash in County Treasury	$ 530,308	$ 999,902	$ 991,048	$ 539,162
Cash on hand and in banks	976,581	3,436,818	3,390,438	1,022,961
Total assets	$ 1,506,889	$ 4,436,720	$ 4,381,486	$ 1,562,123
Liabilities:				
Due to student groups	$ 1,506,889	$ 4,436,720	$ 4,381,486	$ 1,562,123

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Warrant/Pass-Through Fund				
Assets:				
Cash in County Treasury	$ 6,498,230	$ 546,529,530	$ 538,765,516	$ 14,262,244
Cash on hand and in banks	-	-	-	-
Total assets	$ 6,498,230	$ 546,529,530	$ 538,765,516	$ 14,262,244
Liabilities:				
Due to other funds	$ 6,498,230	$ 546,529,530	$ 538,765,516	$ 14,262,244
TOTAL AGENCY FUNDS				
Assets:				
Cash in County Treasury	$ 7,028,538	$ 547,529,432	$ 539,756,564	$ 14,801,406
Cash on hand and in banks	976,581	3,436,818	3,390,438	1,022,961
Total assets	$ 8,005,119	$ 550,966,250	$ 543,147,002	$ 15,824,367
Liabilities:				
Due to other funds	$ 6,498,230	$ 546,529,530	$ 538,765,516	$ 14,262,244
Due to student groups	1,506,889	4,436,720	4,381,486	1,562,123
Total liabilities	$ 8,005,119	$ 550,966,250	$ 543,147,002	$ 15,824,367

Visalia Unified School District was organized in 1885 and consists of an area comprising approximately 177 square miles. The District operates 26 elementary schools, 5 middle schools, 4 high schools, an adult school, a continuation high school, and 5 charter schools. There were no changes in District boundaries during the year.

The Board of Education at June 30, 2018 was comprised of the following members:

GOVERNING BOARD

Name	Office	Term Expires
William A. Fulmer	President	2020
John L. Crabtree	Clerk	2018
Vacant	Member	-
Juan Guerrero	Member	2018
Jim L. Qualls	Member	2018
Charles Ulmschneider	Member	2018
Lucia D. Vazquez	Member	2020

ADMINISTRATION

Todd Oto, Ed. D.
Superintendent

Tamara Ravalin Ed. D.
Assistant Superintendent, Human Resources Development

Robert Gröeber
Assistant Superintendent, Administrative Services

Melanie Stringer Ed. D.
Assistant Superintendent, Instructional Services

Nathan Hernandez
Chief Financial Officer

	Second Period Report (Original)	Second Period Report (Audited)*	Annual Report
DISTRICT			
Certificate Number	D2789471	6D5F8FF7	5BAD0D6B
Elementary:			
Transitional Kindergarten through Third	8,365	8,365	8,382
Sixth	6,204	6,204	6,208
Seventh and Eighth	4,238	4,244	4,241
Special Education	6	6	6
Total Elementary	18,813	18,819	18,837
Secondary:			
Ninth through Twelfth	7,210	7,223	7,154
Continuation	249	249	244
Total Secondary	7,459	7,472	7,398
District Totals	26,272	26,291	26,235

* Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of records.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	Second Period Report	Annual Report
CHARTER SCHOOL - CLASSROOM BASED		
Charter Alternatives Academy		
Certificate Number	422FFAF8	7649CA92
Fourth through Sixth	1	1
Seventh and Eighth	7	9
Ninth to Twelfth	35	35
Subtotal Charter Alternatives Academy	43	45
Visalia Technical Early College		
Certificate Number	15788129	CCC164C6
Ninth through Twelfth	247	246
Global Learning Charter School		
Certificate Number	80EA5FEF	E33A08E7
Transitional Kindergarten through Third	193	192
Fourth through Sixth	154	153
Subtotal Visalia Global Learning Charter School	347	345
Total Charter School Classroom Based	637	636
CHARTER SCHOOL - NON-CLASSROOM BASED		
Charter Home School Academy		
Certificate Number	B8CE98F3	AA4C2EE8
Transitional Kindergarten through Third	29	29
Fourth through Sixth	28	28
Seventh and Eighth	46	48
Subtotal Charter Home School	103	105
Visalia Charter Independent Study		
Certificate Number	6D6D00DA	E082856D
Seventh and Eighth	1	1
Ninth through Twelfth	526	530
Subtotal Visalia Charter Independent Study	527	531
Total Charter School Non-Classroom Based	630	636
Charter School Totals	1,267	1,272

See accompanying notes to supplementary information.

Grade Level	Statutory Minutes Require-ment	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT				
Kindergarten	36,000	51,892	180	In Compliance
Grade 1	50,400	51,892	180	In Compliance
Grade 2	50,400	51,892	180	In Compliance
Grade 3	50,400	51,892	180	In Compliance
Grade 4	54,000	57,612	180	In Compliance
Grade 5	54,000	57,612	180	In Compliance
Grade 6	54,000	57,612	180	In Compliance
Grade 7	54,000	64,301	180	In Compliance
Grade 8	54,000	65,528	180	In Compliance
Grade 9	64,800	65,528	180	In Compliance
Grade 10	64,800	65,528	180	In Compliance
Grade 11	64,800	65,528	180	In Compliance
Grade 12	64,800	65,528	180	In Compliance
CHARTER SCHOOLS				
Charter Alternatives Academy				
Grade 6	54,000	65,080	180	In Compliance
Grade 7	54,000	65,080	180	In Compliance
Grade 8	54,000	65,080	180	In Compliance
Grade 9	64,800	65,080	180	In Compliance
Grade 10	64,800	65,080	180	In Compliance
Grade 11	64,800	65,080	180	In Compliance
Grade 12	64,800	65,080	180	In Compliance
Visalia Technical Early College				
Grade 9	64,800	65,168	180	In Compliance
Grade 10	64,800	65,168	180	In Compliance
Grade 11	64,800	65,168	180	In Compliance
Grade 12	64,800	65,168	180	In Compliance
Visalia Global Learning Charter School				
Kindergarten	36,000	52,220	180	In Compliance
Grade 1	50,400	52,220	180	In Compliance
Grade 2	50,400	52,220	180	In Compliance
Grade 3	50,400	52,220	180	In Compliance
Grade 4	54,000	59,370	180	In Compliance
Grade 5	54,000	59,370	180	In Compliance
Grade 6	54,000	59,370	180	In Compliance

See accompanying notes to supplementary information.

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	$ 4,070,834
84.027	Special Ed: IDEA Private School Local Assistance	10115	26,599
84.173A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13693	907,482
	Subtotal Special Education Cluster		5,004,915
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education	13978	119,695
84.002A	Adult Education: Adult Basic Education & ESL	14508	198,999
84.002	Adult Education: Institutionalized Adults	13971	13,386
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	48,906
	Subtotal Adult Education Programs		380,986
	Carl D. Perkins Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	274,281
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	14893	158,741
	Subtotal Carl Perkins Programs		433,022
	Title I Programs:		
84.011	ESEA: Title I, Part C, Migrant Education	14326	199,659
84.011	ESEA: Title I, Part C, Migrant Education Summer Program	10005	48,550
	Subtotal Title I Programs		248,209

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (Continued)		
	Title III Programs:		
84.365	ESEA: Title III, English Learner Student Program	14346	$ 370,823
84.365	ESEA: Title III, Immigrant Student Program	15146	30,662
	Subtotal Title III Programs		401,485
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	10,123,309
84.367	ESEA: Title II, Part A Supporting Effective Instruction Local Grants	14341	1,026,983
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,767,812
84.060	Indian Education	10011	156,199
84.126A	Rehabilitation Services: Vocational Rehabilitation Grants	*	132,668
	Total U.S. Department of Education		19,675,588
	U.S. Department of Health and Human Services - Passed through California Department of Education		
	Medicaid Cluster:		
93.778	Medi-Cal Billing Option	10013	622,235
	Child Care Development Fund (CCDF) Program Cluster:		
93.575	CCDF Federal Child-Care, Center-Based	15136	171,964
	Total U.S. Department of Health and Human Services		794,199
	U.S. Department of Agriculture - Passed through California Department of Education		
	Child Nutrition Cluster:		
10.555	National School Lunch Program (NSLP)	13390	8,409,098
10.553	Basic Breakfast	13396	103,932
10.553	Especially Needy Breakfast	13526	1,856,393
	Subtotal Child Nutrition Cluster		10,369,423
10.582	Fresh Fruit and Vegetable Program	14968	127,307
10.579	NSLP Equipment Assistance Grant	14906	97,406
	Total U.S. Department of Agriculture		10,594,136
	Total Federal Programs		$ 31,063,923

* No pass-through identifying number was available for this program.

See accompanying notes to supplementary information.

There were no adjustments proposed to any funds of the District

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2018
(UNAUDITED)

General Fund	(Budget) 2019	2018	2017	2016
Revenues and other financing sources	$ 337,179,579	$ 328,485,205	$ 310,518,909	$ 306,658,223
Expenditures	322,852,465	313,798,585	291,034,959	271,471,717
Other uses and transfers out	1,754,708	7,193,800	4,228,300	24,934,409
Total outgo	324,607,173	320,992,385	295,263,259	296,406,126
Change in fund balance	$ 12,572,406	$ 7,492,820	$ 15,255,650	$ 10,252,097
Ending fund balance	$ 116,609,012	$ 104,036,606	$ 96,543,786	$ 81,288,136
Available reserves	$ 45,719,716	$ 46,445,968	$ 45,053,777	$ 41,196,494
Designated for economic uncertainties	$ 45,556,006	$ 46,213,917	$ 44,440,410	$ 40,161,612
Undesignated fund balance	$ 163,710	$ 232,051	$ 613,367	$ 1,034,882
Available reserves as percentages of total outgo	14.1%	14.5%	15.3%	13.9%
All Funds				
Total long-term liabilities	$ 516,440,033	$ 520,353,597	$ 344,539,495	$ 293,756,452
Average daily attendance at P-2, excluding Charter Schools	26,559	26,291	26,575	26,066

The General Fund fund balance has increased by $33,000,567 over the past three years. The fiscal year 2018-2019 budget projects an increase of $12,572,406. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2018, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the fiscal year 2018-2019.

Total long-term liabilities have increased by $226,597,145 over the past two years, due primarily to the issuance of General Obligation Bonds and Certificates of Participation, as well as changes in the District's Net Pension Liability.

Average daily attendance has increased by 225 over the past two years. The District anticipates an increase of 268 ADA for the 2018-2019 fiscal year.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
0250 - Charter Home School Academy	Included in District Report
0251 - Charter Alternatives Academy	Included in District Report
0720 - Visalia Charter Independent Study	Included in District Report
1128 - Visalia Technical Education Center	Included in District Report
1870 - Global Learning Charter School	Included in District Report

NOTE 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 Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Visalia Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 30,672,994
Add: Medi-Cal Billing Option spent from prior year awards	93.778	390,929
Total Schedule of Expenditure of Federal Awards		$ 31,063,923

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 required certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt such a program.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance with State Laws and Regulations

We have audited Visalia Unified School District's compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
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	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

We did not perform procedures related to Independent Study because the District did not generate any ADA for this program.

We did not perform any procedures related to the Early Retirement Incentive Program because the District did not offer an Early Retirement Incentive Program.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program.

We did not perform any procedures related to Middle or Early College High Schools because the District did not operate this program.

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction, because the District did not operate this program.

We did not perform any procedures related to After School Education and Safety Program: Before School, because the District did not offer a Before School program in the current year.

We did not perform procedures related to Course Based Independent Study because the District did not generate any ADA for this program.

We did not perform any procedures related to Charter School Facility Grant Program because the District did not operate this program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Visalia Unified School District's compliance with state laws and regulations as listed above 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Visalia Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Visalia Unified School 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 with state laws and regulations. However, our audit does not provide a legal determination of Visalia Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, Visalia Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

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

Board of Education
Visalia Unified School District
Visalia, 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 Visalia Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Visalia Unified School District’s basic financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Visalia Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance for Each Major Federal Program

We have audited Visalia Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Visalia Unified School District's major federal programs for the year ended June 30, 2018. Visalia Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, 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 Visalia Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Visalia Unified School 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 Visalia Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Visalia Unified School 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.

(Continued)

Report on Internal Control Over Compliance

Management of Visalia Unified School 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 Visalia Unified School 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 Visalia Unified School 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

FINDINGS AND RECOMMENDATIONS

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 not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditors' 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 Number	Name of Federal Program or Cluster
84.027, 84.173A	Special Education Cluster
84.367	Title II, Part A, Supporting Effective Instruction Local Grants
84.287	Title IV, Part B, 21st Century Community Learning Centers Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 878,727	
Auditee qualified as low-risk auditee?	X Yes	____ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Unmodified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented

No matters were reported.