**LINCOLN UNIFIED SCHOOL DISTRICT**

**OF SAN JOAQUIN COUNTY**

**STOCKTON, CALIFORNIA**

**JUNE 30, 2018**

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## GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Tony Yadon | President | 2018 |
| Jenny Van De Pol | Vice President/Clerk | 2018 |
| Norrie Palmer | Member | 2020 |
| Kathleen Solari | Member | 2020 |
| Donald Ruhstaller | Member | 2018 |

## ADMINISTRATION

| | |
|---|---|
| Tom Uslan | Superintendent |
| Rebecca Hall | Associate Superintendent, Business Services |
| Kelly Dextraze | Associate Superintendent, Education Services |
| Michele Tatum | Associate Superintendent, Human Resources |

**LINCOLN UNIFIED SCHOOL DISTRICT**

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**LINCOLN UNIFIED SCHOOL DISTRICT**

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## V – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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# Cichella & Tokunaga, LLP
**Certified Public Accountants**

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Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

## INDEPENDENT AUDITORS' REPORT

Governing Board
Lincoln Unified School District
Stockton, 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 the Lincoln Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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 Lincoln 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.

## Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, the Schedule of Change in the Districts total OPEB liability and related ratios, Schedule of the District's proportionate share of the net OPEB liability – MPP Program, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District's Contributions for Pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Unified School District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Uniform Guidance), published by the Education Audit Appeals Panel, are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 on our consideration of the Lincoln Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Lincoln Unified School District's internal control over financial reporting and compliance.

Cichella + Tokunaga LLP

El Dorado Hills, California
December 5, 2018

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This section of Lincoln 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 Lincoln Unified School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary and fiduciary. The District does not have any business type activities.

The *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The Primary unit of government is the Lincoln Unified School District. The Community Facility District No. 1 is a component unit of the District. Separate financial statements for the Community Facilities District No. 1 are not prepared.

## *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 assets and changes in them. Net assets are the difference between assets and liabilities, 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 present the District’s activities as follows:

**Governmental Activities** – Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, certificates of participation and the on-going 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.

## *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*** – 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 difference of results in the governmental fund financial statements to those in the government-wide financial statements is explained in a reconciliation following each governmental fund financial statement.

***Proprietary Funds*** – When the District charges users for the service 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 Revenue, Expenses and Changes in Fund Net Position*. We use internal service funds (a 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 A 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. The District's fiduciary activities are reported in the Statement 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.

*FINANCIAL HIGHLIGHTS*

## THE DISTRICT AS A WHOLE

### Net Position

The District's net position was ($10.61 million) and ($15.34 million) for the fiscal years ended June 30, 2018 and 2017, respectively. Our analysis below focuses on the net position (Table 1); and the change in net position (Table 2); of the District's governmental activities. The increase in long-term obligations and deferred outflows of resources is directly related to the implementation of GASB statements No. 75 related to the recording of total OPEB liability.

**Table 1**

| (Amounts in millions) | Governmental Activities | |
|---|---|---|
| | 2018 | (As Restated) 2017 |
| **Assets** | | |
| Current and other assets | $ 54.10 | $ 58.17 |
| Capital assets | 144.98 | 142.96 |
| **Total Assets** | **199.08** | **201.13** |
| **Deferred Outflows of Resources** | | |
| Deferred outflows related to pensions | 32.41 | 23.61 |
| Defered charge on refunding | 0.62 | 0.77 |
| **Total Deferred Outflow of Resources** | **33.03** | **24.38** |
| **Liabilities** | | |
| Current liabilities | 12.45 | 16.82 |
| Long-term liabilities | 222.82 | 217.01 |
| **Total Liabilities** | **235.27** | **233.83** |
| **Deferred Inflows of Resources** | | |
| Deferral related to pension activities | 7.45 | 7.02 |
| **Total Deferred Inflow of Resources** | **7.45** | **7.02** |
| **Net Position** | | |
| Invested in capital assets, net of related debt | 19.88 | 9.60 |
| Restricted | 25.59 | 29.54 |
| Unrestricted | (56.08) | (54.48) |
| **Total Net Position** | **$ (10.61)** | **$ (15.34)** |

The ($56.08 million) as of June 30, 2018 in unrestricted net position of government activities represents the accumulated results of all past years' operations. The June 30, 2018 unrestricted net position decreased by $1.6 million as compared to June 30, 2017.

**Changes in Net Position**

The results of the 2017-18 operations for the District as a whole are reported in the *Statement of Activities* on page 17. Net position increased by $4.73 million due to operating activities.

**Table 2**

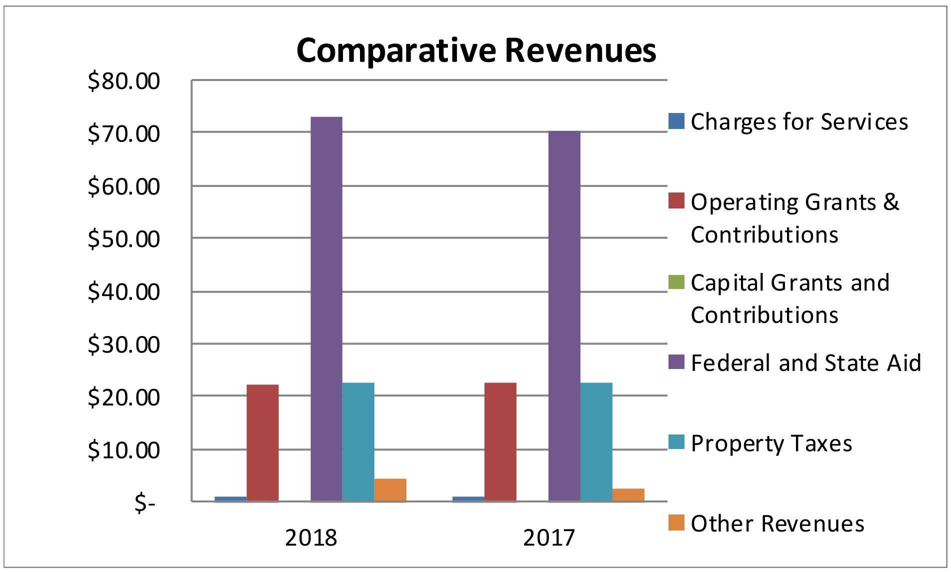
| (Amounts in millions) | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services | $ 0.88 | $ 0.88 |
| Operating grants and contributions | 22.29 | 22.58 |
| Capital grants and contributions | - | - |
| General revenues: | | |
| Federal and State aid not restricted | 72.95 | 70.47 |
| Property taxes | 22.71 | 22.69 |
| Other general revenues | 4.34 | 2.46 |
| **Total Revenues** | **123.17** | **119.08** |
| **Expenses** | | |
| Instruction-related | 71.82 | 69.72 |
| Pupil services | 12.15 | 11.64 |
| Administration | 6.00 | 5.44 |
| Maintenance and operations | 11.21 | 11.07 |
| Other | 17.26 | 19.23 |
| **Total Expenses** | **118.44** | **117.10** |
| **Change in Net Position** | **4.73** | **1.98** |

**Governmental Activities**

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities for the years ended June 30, 2018 and 2017 were $118.44 million and $117.10 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $22.71 million and $22.69 million, respectively, because the cost was paid by those who benefited from the programs ($0.88 and $0.88 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions ($22.29 million and $22.58 million respectively). We paid for the remaining "public benefit" portions of our governmental activities with $72.95 and $70.47 million, respectively, in other Federal and State sources, and with other revenues, like interest and general entitlements of $4.34 and $2.46 million, respectively.

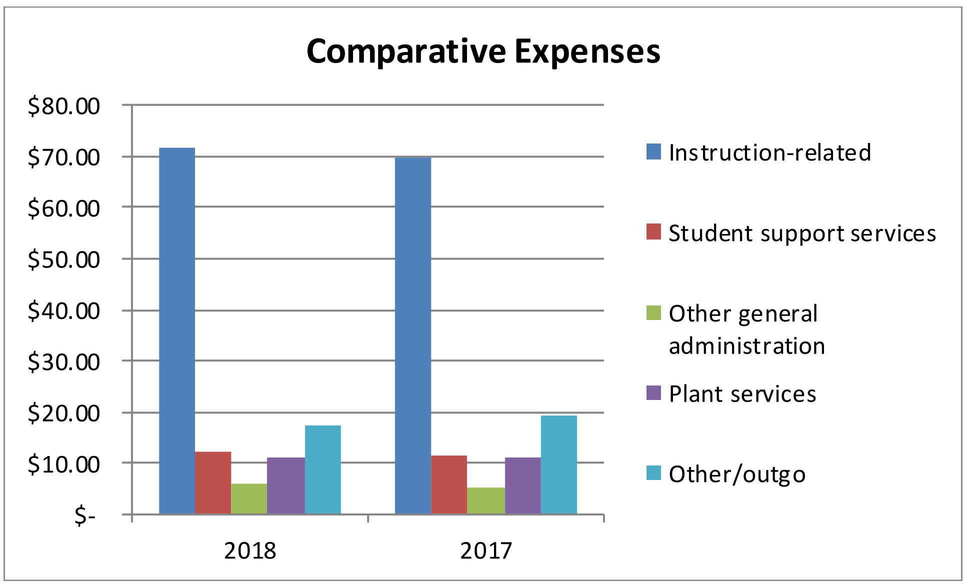
**Schedule of Revenues for Governmental Functions**

| (Amounts in millions) | 2018 | Percent of Total | 2017 | Percent of Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Program revenues: | | | | |
| Charges for services and sales | $ 0.88 | 0.71% | $ 0.88 | 0.74% |
| Operating grants and contributions | 22.29 | 18.10% | 22.58 | 18.96% |
| Capital grants and contributions | - | 0.00% | - | 0.00% |
| General revenues: | | | | |
| Federal and State aid not restricted | 72.95 | 59.23% | 70.47 | 59.18% |
| Property taxes | 22.71 | 18.44% | 22.69 | 19.05% |
| Other Revenues | 4.34 | 3.52% | 2.46 | 2.07% |
| **Total Revenues** | **$ 123.17** | **100.00%** | **$ 119.08** | **100.00%** |



**Schedule of Expenses for Governmental Functions**

| (Amounts in millions) | 2018 | Percent of Total | 2017 | Percent of Total |
|---|---|---|---|---|
| **Expenses** | | | | |
| Instruction-related | $ 71.82 | 60.65% | $ 69.72 | 59.54% |
| Student support services | 12.15 | 10.25% | 11.64 | 9.94% |
| Other general administration | 6.00 | 5.06% | 5.44 | 4.65% |
| Plant services | 11.21 | 9.46% | 11.07 | 9.45% |
| Other/outgo | 17.26 | 14.58% | 19.23 | 16.42% |
| **Total Expenses** | $ 118.44 | 100.00% | $ 117.10 | 100.00% |

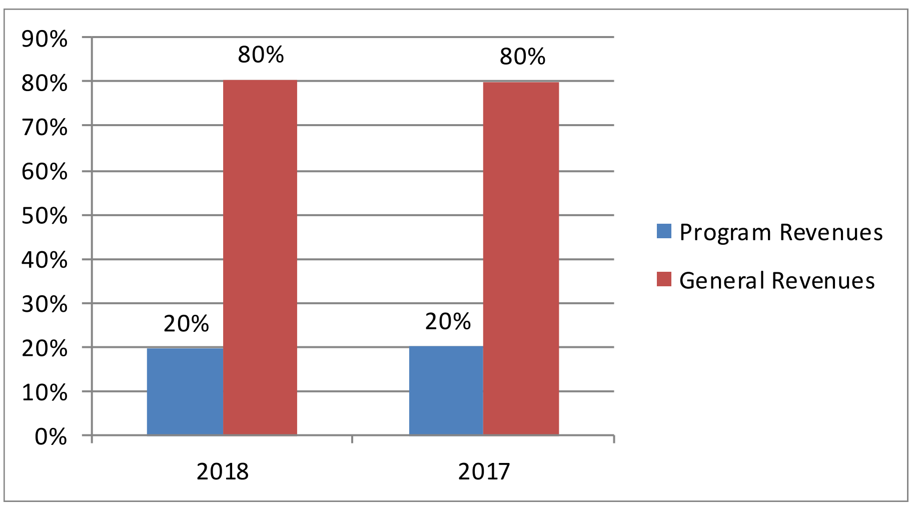


In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's five largest functions – instruction and instruction related, student support services, administration, maintenance and operations, and other. As discussed above, net cost shows 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 3**

Program revenues financed 20 percent of the total cost of providing the service listed above, while the remaining 80 percent was financed by the general revenue of the District.

| (Amounts in millions) | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Instruction | $ 71.82 | $ 69.72 | $ 61.07 | $ 57.12 |
| Student Support Services | 12.15 | 11.64 | 6.87 | 6.14 |
| Administration | 6.00 | 5.44 | 5.35 | 4.88 |
| Maintenance and Operations | 11.21 | 11.07 | 11.18 | 10.52 |
| Other | 17.26 | 19.23 | 10.80 | 14.97 |
| **Total** | **$ 118.44** | **$ 117.10** | **$ 95.27** | **$ 93.63** |



### *THE DISTRICT'S FUNDS*

As the District completed the years ended June 30, 2018 and 2017, our governmental funds and proprietary reported a combined fund balance of $48,729,722 and $49,324,603 respectively. This is a decrease of $594,881 from the prior year.

**Table 4**

| | Balances and Activity | | | |
|---|---|---|---|---|
| | July 1, 2017 | Revenues | Expenditures | June 30, 2018 |
| General | $ 24,425,349 | $ 97,679,113 | $ 95,067,205 | $ 27,037,257 |
| Charter | 652,034 | 3,359,724 | 3,585,799 | 425,959 |
| Child Development | 683,448 | 2,363,646 | 2,253,397 | 793,697 |
| Cafeteria | 812,982 | 4,208,389 | 4,491,265 | 530,106 |
| Deferred Maintenance | 2,071,241 | 1,613,636 | 994,814 | 2,690,063 |
| Building | 4,323,699 | 50,583 | 1,346,974 | 3,027,308 |
| Capital Facilities | 208,138 | - | 14,478 | 193,660 |
| County School Facilities Fund | 50,038 | 694 | - | 50,732 |
| Special Reserve for Capital Outlay Projects Fund | 4,424,670 | 5,786,893 | 3,747,899 | 6,463,664 |
| Capital Project Fund for Blended Component Units | 1,690,289 | 30,442 | 842,862 | 877,869 |
| Bond Interest and Redemption Fund | 4,911,573 | 12,187,726 | 12,124,393 | 4,974,906 |
| Debt Services Fund for Blended Component Units | 4,771,762 | 3,693,051 | 7,118,122 | 1,346,691 |
| **Total** | **$ 49,025,223** | **$ 130,973,897** | **$ 131,587,208** | **$ 48,411,912** |
| | | | | |
| Self-Insurance Fund | 299,380 | 625,402 | 606,972 | 317,810 |
| **Total** | **$ 49,324,603** | **$ 131,599,299** | **$ 132,194,180** | **$ 48,729,722** |

### General Fund Budgetary Highlights

Throughout the year, the District revised its budget to accommodate unexpected changes in revenues and expenditures. The final revision of the 2017-18 budgets was completed June 30, 2018. A schedule showing the District’s original and final budget figures compared with amounts actually paid and received is provided in our annual report on page 78.

## *CAPITAL ASSET AND DEBT ADMINISTRATION*

### Capital Assets

At June 30, 2018 and 2017, the District had $144.98 and $142.96 million, respectively, in a broad range of capital assets net of accumulated depreciation, including land, buildings, furniture and equipment. For 2018 this represents a net increase (including additions, deductions and depreciation) of $2.02 million, from the prior year.

**Table 5**

| (Amounts in million) | Capital Assets | |
|---|---|---|
| | 2018 | 2017 |
| Land | $ 12.74 | $ 12.09 |
| Building and improvements | 114.21 | 98.72 |
| Equipment | 2.32 | 1.95 |
| Work in Progress | 15.71 | 30.20 |
| **Totals** | **$ 144.98** | **$ 142.96** |

### Long-Term Obligations

At June 30, 2018 and 2017, the District had $228.32 million and $223.31 million, respectively, in bonds outstanding. The bonds were issued for construction projects. Prior year Long-Term Obligation was adjusted to reflect changes due to the implementation of GASB 75. Long-term obligations consisted of:

**Table 6**

| (Amounts in millions) | Long-Term Obligations | |
|---|---|---|
| | 2018 | (As Restated) 2017 |
| Community facilities district bonds | $ 21.73 | $ 27.58 |
| General obligation bonds | 78.78 | 81.12 |
| Bond premiums net of amortization | 5.29 | 5.45 |
| Certificates of participation | 3.36 | 3.68 |
| Other | 25.62 | 24.41 |
| Net Pension Liability | 93.54 | 81.07 |
| **Totals** | **$ 228.32** | **$ 223.31** |

Other obligations include compensated absences payable, other post-employment benefits, qualified zone academy bonds, accreted interest on bonds, and technical education loans.

We present more detailed information regarding our long-term obligations in Note 8 to the financial statements.

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

Lincoln Unified has successfully implemented another year of our Local Control and Accountability Plan (LCAP) which was adopted in June of 2017. We met many times with our stakeholders and developed a comprehensive plan that we revise annually. Factors bearing on the district will continue to be enrollment and student attendance which is key to the District's financial projections. The District has consistently seen growth in recent years and this trend has changed slightly to a decline. In addition, the increase to employer contributions to CalSTRS and CalPERS through fiscal year 2020-2021 are an area of concern. The District has continued to budget for the implementation of 1:1 technology for grades 2-12th.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET ASSUMPTIONS

The District used the following assumptions in constructing the 2018/19 fiscal year budget. The information provided below is current as of July 1, 2018.

Local Control Funding Formula (LCFF)

The LCFF provides base, supplemental, and concentration grants in place of most previously existing Funding sources, including revenue limits and most state categorical programs. As part of the LCFF, the District will be required to develop, adopt, and annually update three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

Key assumptions in expenditure forecasting:

| | *Staffing Ratio* |
|---|---|
| Grades kindergarten through third | *24:1* |
| Grades four through six | *30:1* |
| Grades seven through eight (at K-8 sites) | *25:1* |
| Grades seven and eight | *32:1* |
| Grades nine through twelve | *32:1* |

## *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 the District's Associate Superintendent, Business Services, Rebecca Hall, at Lincoln Unified School District, 2010 W. Swain Road, Stockton, California, 95207 or email at rhall@lusd.net

# LINCOLN UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION
## JUNE 30, 2018

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 49,905,032 |
| Receivables | 3,873,744 |
| Stores inventories | 324,429 |
| Capital assets not depreciated | 237,236,290 |
| Accumulated depreciation of capital assets | (92,255,981) |
| **Total Assets** | 199,083,514 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pensions | 32,408,898 |
| Deferred charge on refunding | 624,823 |
| **Total Deferred Outflows of Resources** | 33,033,721 |
| **LIABILITIES** | |
| Accounts payable | 4,954,005 |
| Interest payable | 1,581,634 |
| Unearned revenue | 419,478 |
| Current portion of long-term obligations | 5,497,165 |
| Noncurrent portion of long-term obligations | 222,822,496 |
| **Total Liabilities** | 235,274,778 |
| **DEFERRED INFLOW OF RESOURCES** | |
| Deferred inflow related to pensions | 7,448,084 |
| **Total Deferred Inflows of Resources** | 7,448,084 |
| **NET POSITION** | |
| Invested in capital assets, net of related debt | 19,880,518 |
| Restricted for: | |
| Debt services | 6,321,597 |
| Educational programs | 4,762,440 |
| Capital projects | 13,303,296 |
| Other activities (expendible) | 888,241 |
| Self Insurance | 317,810 |
| Unrestricted | (56,079,529) |
| **Total Net Position** | $ (10,605,627) |

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

## LINCOLN UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2018

| | | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position |
|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| **Governmental Activities:** | | | | | |
| Instruction | $ 62,867,085 | $ 21,147 | $ 9,905,731 | $ 694 | $ (52,939,513) |
| Instruction-related activities: | | | | | |
| Supervision of instruction | 1,669,439 | 3,161 | 469,059 | - | (1,197,219) |
| Instructional library, media, and technology | 1,183,813 | - | 15,748 | - | (1,168,065) |
| School site administration | 6,098,163 | 1,029 | 327,436 | - | (5,769,698) |
| Pupil services: | | | | | |
| Home-to-school transportation | 1,430,520 | - | - | - | (1,430,520) |
| Food services | 4,504,886 | 474,165 | 3,512,507 | - | (518,214) |
| All other pupil services | 6,210,322 | 482 | 1,283,909 | - | (4,925,931) |
| Administration: | | | | | |
| Data processing | 2,063,304 | - | - | - | (2,063,304) |
| All other administration | 3,934,801 | 26,266 | 625,841 | - | (3,282,694) |
| Plant services | 11,213,934 | 1,765 | 32,609 | - | (11,179,560) |
| Enterprise services | 606,972 | 9,676 | 168,516 | - | (428,780) |
| Ancillary services | 818,522 | - | - | - | (818,522) |
| Community services | 104,409 | - | - | - | (104,409) |
| Interest on long-term obligations | 3,825,344 | - | - | - | (3,825,344) |
| Other outgo | 4,366,746 | 337,947 | 5,946,380 | - | 1,917,581 |
| Depreciation (unallocated) | 7,543,497 | - | - | - | (7,543,497) |
| **Total Governmental Activities** | $118,441,757 | $ 875,638 | $ 22,287,736 | $ 694 | (95,277,689) |
| | General revenues and subventions: | | | | |
| | Taxes levied for general purposes | | | | 13,838,178 |
| | Taxes levied for debt services | | | | 5,361,012 |
| | Taxes levied for other specific purposes | | | | 3,516,385 |
| | Federal and State aid not restricted to specific purposes | | | | 72,954,781 |
| | Interest and investment earnings | | | | 402,500 |
| | Miscellaneous | | | | 3,935,305 |
| | **Subtotal, General Revenues** | | | | 100,008,161 |
| | **Change in Net Position** | | | | 4,730,472 |
| | Net Position - Beginning - as previously reported | | | | (11,036,404) |
| | Cumulative effect of change in accounting principles | | | | (4,299,695) |
| | Net Position - Beginning - as restated | | | | (15,336,099) |
| | Net Position - Ending | | | | $ (10,605,627) |

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

## GOVERNMENTAL FUNDS – BALANCE SHEET
## JUNE 30, 2018

| | General Fund | Deferred Maintenance Fund | Capital Project for Blended Component Units |
|---|---|---|---|
| **ASSETS** | | | |
| Deposits and investments | 28,090,545 | $ 2,423,013 | $ 873,559 |
| Receivables | 2,811,117 | 10,084 | 4,310 |
| Due from other funds | 745,225 | 1,045,212 | - |
| Prepaid expenditures | - | - | - |
| Stores inventories | 173,806 | - | - |
| **Total Assets** | 31,820,693 | 3,478,309 | 877,869 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities:** | | | |
| Accounts payable | 2,791,203 | 788,246 | - |
| Due to other funds | 1,613,864 | - | - |
| Unearned revenue | 378,369 | - | - |
| **Total Liabilities** | 4,783,436 | 788,246 | - |
| **Fund Balances:** | | | |
| Nonspendable | 188,806 | - | - |
| Restricted | 3,900,919 | - | 877,869 |
| Committed | - | - | - |
| Assigned | 7,174,750 | 2,690,063 | - |
| Unassigned | 15,772,782 | - | - |
| **Total Fund Balance** | 27,037,257 | 2,690,063 | 877,869 |
| **Total Liabilities and Fund Balances** | 31,820,693 | $ 3,478,309 | $ 877,869 |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| $ 18,201,265 | $ 49,588,382 |
| 1,039,089 | 3,864,600 |
| 568,652 | 2,359,089 |
| - | - |
| 150,623 | 324,429 |
| 19,959,629 | 56,136,500 |
| | |
| 1,374,556 | 4,954,005 |
| 737,241 | 2,351,105 |
| 41,109 | 419,478 |
| 2,152,906 | 7,724,588 |
| | |
| 150,623 | 339,429 |
| 17,297,965 | 22,076,753 |
| - | - |
| 358,135 | 10,222,948 |
| - | 15,772,782 |
| 17,806,723 | 48,411,912 |
| | |
| $ 19,959,629 | $ 56,136,500 |

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

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | **$ 48,411,912** |
| **Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:** | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | $ 237,236,290 | |
| Accumulated depreciation is | (92,255,981) | |
| Net Capital Assets | | 144,980,309 |
| In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements unmatured interest on long-term obligations is recognized when it is incurred. | | (1,581,634) |
| An internal service fund is used by the District's management to charge the costs of the proprietary and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | | 317,810 |
| In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refunding resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as a deferred outflow of resources. | | 624,823 |
| Deferrals resulting from pension adjustments and changes in the net pension liabilities do not require the use of current resources and therefore are not recorded on the governmental funds. | | 32,408,898 |
| The difference between projected and actual pension plan investments earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. | | (7,448,084) |

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

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued)
## JUNE 30, 2018

| | | |
|---|---|---|
| Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. | | |
| Long-term liabilities at year end consist of: | | |
| General obligation bonds | 78,783,663 | |
| Bond premium net of amortization | 5,292,580 | |
| Accreted interest on bonds | 15,019,911 | |
| Community facilities bonds | 21,731,568 | |
| Certifcates of participation | 3,355,000 | |
| Qualified zone academy bond | 917,069 | |
| Technical education loans | 692,104 | |
| Net OPEB liability | 8,736,113 | |
| Compensated absences | 253,425 | |
| Net pension liability | 93,538,228 | |
| Total Long-Term Obligations | | (228,319,661) |
| **Total Net Position - Governmental Activities** | | $ (10,605,627) |

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

## GOVERNMENTAL FUNDS
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENEDED JUNE 30, 2018

| | General Fund | Deferred Maintenanace Fund | Capital Project for Blended Component Units |
|---|---|---|---|
| **REVENUES** | | | |
| LCFF sources | $ 80,732,049 | $ - | $ - |
| Federal sources | 4,428,215 | - | - |
| Other State sources | 8,719,635 | - | - |
| Other local sources | 3,799,214 | 173,212 | 30,442 |
| **Total Revenues** | 97,679,113 | 173,212 | 30,442 |
| **EXPENDITURES** | | | |
| Current | | | |
| Instruction | 57,717,489 | - | - |
| Instruction-related activities: | | | |
| Supervision of instruction | 1,292,186 | - | - |
| Instructional library, media and technology | 1,043,054 | - | - |
| School site administration | 5,318,092 | - | - |
| Pupil services: | | | |
| Home-to-school transportation | 1,338,622 | - | - |
| Food services | - | - | - |
| All other pupil services | 6,177,068 | - | - |
| Administration: | | | |
| All other administration | 3,022,992 | - | - |
| Data processing services | 1,864,737 | - | - |
| Plant services | 10,677,843 | - | 30,210 |
| Facilities acquisition and construction | 1,670,297 | 994,814 | - |
| Ancillary Services | 816,451 | - | - |
| Community Services | 55,347 | - | - |
| Other outgo | 1,923,517 | - | - |
| Debt service: | | | |
| Principal | - | - | 500,043 |
| Interest and other | - | - | 62,609 |
| Cost of issuance | - | - | - |
| **Total Expenditures** | 92,917,695 | 994,814 | 592,862 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 4,761,418 | (821,602) | (562,420) |
| **Other Financing Sources (Uses)** | | | |
| Transfers in | - | 1,440,424 | - |
| Other sources | - | - | - |
| Transfers out | (2,149,510) | - | (250,000) |
| **Net Financing Sources (Uses)** | (2,149,510) | 1,440,424 | (250,000) |
| **NET CHANGE IN FUND BALANCES** | 2,611,908 | 618,822 | (812,420) |
| **Fund Balance - Beginning** | 24,425,349 | 2,071,241 | 1,690,289 |
| **Fund Balance - Ending** | $ 27,037,257 | $ 2,690,063 | $ 877,869 |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| $ 2,914,584 | $ 83,646,633 |
| 3,603,990 | 8,032,205 |
| 1,645,100 | 10,364,735 |
| 16,514,364 | 20,517,232 |
| 24,678,038 | 122,560,805 |
| | |
| 3,397,248 | 61,114,737 |
| 281,278 | 1,573,464 |
| 52,837 | 1,095,891 |
| 495,299 | 5,813,391 |
| - | 1,338,622 |
| 4,268,523 | 4,268,523 |
| - | 6,177,068 |
| 726,945 | 3,749,937 |
| - | 1,864,737 |
| 113,342 | 10,821,395 |
| 6,090,362 | 8,755,473 |
| 13,978 | 830,429 |
| - | 55,347 |
| - | 1,923,517 |
| 15,137,873 | 15,637,916 |
| 4,104,642 | 4,167,251 |
| - | - |
| 34,682,327 | 129,187,698 |
| (10,004,289) | (6,626,893) |
| 336,668 | 1,777,092 |
| 6,636,000 | 6,636,000 |
| - | (2,399,510) |
| 6,972,668 | 6,013,582 |
| (3,031,621) | (613,311) |
| 20,838,344 | 49,025,223 |
| $ 17,806,723 | $ 48,411,912 |

**LINCOLN UNIFIED SCHOOL DISTRICT**

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

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | **$ (613,311)** |
| **Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:** | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. | | |
| This is the amount by which capital outlays exceed depreciation in the period. | | |
| Depreciation expense | $ (7,543,497) | |
| Capital outlays | 9,555,451 | |
| Net Expense Adjustment | | 2,011,954 |
| Proceeds from debt provided current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net position. | | (6,636,000) |
| Increases in the liability for other postemployment benefits (OPEB) are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. Decreases to the liability are reported as expenditures in governmental funds, however, the payments reduce the long-term liability in the statement of net position. | | (113,192) |
| In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). | | 2,204 |
| Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position. | | 14,985,640 |
| Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. | | 942,708 |
| Accreted interest on capital appreciation bonds is accrued as long-term debt in the government-wide financials, increasing expense. | | (1,725,507) |
| In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shortened life of the refunded or refunding debt. | | (144,191) |

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

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

| | |
|---|---|
| Gains and losses on disposal of capital assets | 3,067 |
| Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This is the net change in interest expense. | 100,362 |
| An internal service fund is used by the District's management to charge the costs of the property and liability insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities. | 18,430 |
| In the governmental funds, pension costs are based on employer contributions made to pension plans during the year, However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. | (4,101,692) |
| **Change in Net Position of Governmental Activities** | $ 4,730,472 |

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

LINCOLN UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities - Internal Service Fund |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Deposits and investments | $ 316,650 |
| Receivables | 9,144 |
| Due From Other Funds | - |
| **Total Current Assets** | 325,794 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Due to Other Funds | 7,984 |
| **Total Current Liabilities** | 7,984 |
| **NET POSITION** | |
| Restricted | 317,810 |
| **Total Net Position** | $ 317,810 |

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

## LINCOLN UNIFIED SCHOOL DISTRICT

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

| | Governmental Activities - Internal Service Fund |
|---|---|
| **OPERATING REVENUES** | |
| Local and intermediate sources | $ - |
| Transfers in | 622,418 |
| **Total Operating Revenues** | 622,418 |
| **OPERATING EXPENSES** | |
| Other operating costs | $ 606,972 |
| Transfers out | - |
| **Total Operating Expenses** | 606,972 |
| **Operating Income (Loss)** | 15,446 |
| **NON-OPERATING REVENUES (EXPENSES)** | |
| Interest income | 2,984 |
| **Total Nonoperating Revenues (Expenses)** | 2,984 |
| **Income (Loss) Before Capital Contributions** | 18,430 |
| **Change in Net Position** | 18,430 |
| **Total Net Position - Beginning** | 299,380 |
| **Total Net Position - Ending** | $ 317,810 |

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

**LINCOLN UNIFIED SCHOOL DISTRICT**

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

| | Governmental Activities - Internal Service Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash from Local Revenue | $ 41,216 |
| Cash payments to suppliers for goods and services | (606,972) |
| Transfers in | 622,418 |
| Net Cash Used by Operating Activities | 56,662 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest on investments | 2,984 |
| Net Decrease in Cash and Cash Equivalents | 59,646 |
| Cash and Cash Equivalents - Beginning | 257,004 |
| Cash and Cash Equivalents - Ending | $ 316,650 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | |
| Operating income | 15,446 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (8,415) |
| Due other funds | 7,984 |
| Due from other funds | 45,678 |
| Accounts payable | (4,031) |
| **NET CASH USED BY OPERATING ACTIVITIES** | $ 56,662 |

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

LINCOLN UNIFIED SCHOOL DISTRICT

# FIDUCIARY FUND
# STATEMENT OF NET POSITION
# JUNE 30, 2018

| | Fiduciary Funds |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 708,645 |
| **Total Assets** | 708,645 |
| **LIABILITIES** | |
| Due to student groups | 708,645 |
| **Total Liabilities** | $ 708,645 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Entity

The Lincoln Unified School District was established on May 23, 1865 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates eight elementary, one middle school, one high school and two continuation schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Lincoln Unified School District, this includes general operations, food service, and student related activities of the District.

### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt of the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District's component units include John McCandless Charter School. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District.

The District and Community Facilities District No. 1 ("CFD") 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 CFD as a blended component unit of the District. Therefore, the financial activities of CFD have been included in the financial statements of the District. The following are those aspects of the relationship between the District and CFD which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100* criteria:

Manifestations of Oversight

- CFD's Board of Directors were appointed by the District's Board of Trustees.
- CFD has no employees. The District's Superintendent functions as an agent of CFD. Neither individual received additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of CFD as it is anticipated that the District will be the sole lessee of all facilities owned by CFD.

Accounting for Fiscal Matters

- All major financing arrangements, contracts, and other transactions of CFD must have the consent of the District.
- Any deficits incurred by CFD will be reflected in the lease payments of the District. Any surpluses of CFD 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 CFD.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by CFD.

Scope of Public Service and Financial Presentation

- CFD was created for the sole purpose of financially assisting the District.
- CFD is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. CFD 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 CFD facilities. When CFD's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all CFD property will pass to the District for no additional consideration.
- CFD's financial activity is presented in the financial statements as the Building Fund. Certificates of Participation issued by CFD are included in the government-wide financial statements.

**Other Related Entities**

**Public Entity Risk Pools and Joint Powers Authorities** The District is associated with five public entity risk pools and one joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County Schools Workers' Compensation Insurance Group
San Joaquin County Schools Property and Liability Insurance Group
San Joaquin County Schools Data Processing Group
Schools Excess Liability Fund
Northern California Regional Liability Excess Fund
Central Valley Schools Health and Welfare Trust

**Basis of Presentation**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad range fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds.

**Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities. The District maintains the following special revenue funds:

> **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Capital Project Funds** The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The District maintains the following capital project funds:

> **Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facility District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities. The District maintains the following special revenue funds:

> **Charter School Fund** This Special Revenues Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing district's General Fund.

> **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

> **Child Development Fund** The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs (Education Code Sections 8200 and 8328).

**Capital Project Funds** The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The District maintains the following capital project funds:

> **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purpose other than those for which the bonds were issued.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

**Special Reserve Capital Outlay Fund** The Special Reserve Fund was used to account for funds set up for Board designated construction projects.

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the payment of bonds issued for a District (Education Code Sections 15125-15262).

**Debt Service Fund** The Debt Service Fund is used to account for debt service purposes of the Community Facilities District.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a property and liability self-insurance fund that is accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Agency Fund** Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of result of operations. The District's agency fund accounts for student body activities (ASB).

**Basis of Accounting – Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

Net position should be reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net assets use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other finance sources) and uses (expenditures and other financing uses) or current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain gains, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pool are determined by the program sponsor.

### Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefit period. The District has chosen to report the expenditures when incurred.

### Stores Inventory

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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 and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for Schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

**Interfund Balances (Due to/from)**

In the financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from government funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for repayment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

**Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less,which are reported at cost.

**Fund Balance Reporting**

The District reports fund balance within one of the following categories:

*Nonspendable* such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

*Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,

*Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Governing Board (the district's highest level of decision-making authority),

*Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

*Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

*Committed Fund Balance Policy* For funds that are determined to fall within the "Committed Fund Balance" classification, the Governing Board, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June $30^{th}$; however, the amount can be determined with the release of the financial statements.

*Assigned Fund Balance Policy* Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The District delegates the authority to assign amounts to be used for specific purposes to the Chief Business Official for the purpose of reporting these amounts in the financial statements.

*Minimum Fund Balance Policy* The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3 percent of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

*Order of Fund Balance Spending Policy* For which amounts in any of the unrestricted fund balance classifications could be used, the District's policy is to apply expenditures in the following order: committed, assigned, and then unassigned.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balances amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balances for the non-general fund.

**Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues include other local sources. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition such as interest revenue are reported as non-operating revenues and expenses.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**Change in Accounting Principles**

**GASB Statement No. 75 –** In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for financial statements for periods beginning after June 15, 2017.

The District has implemented the provisions of this Statement as of June 30, 2018.

**GASB Statement No. 85 -** In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

**GASB Statement No. 85 -** In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

**New Accounting Pronouncements**

**GASB Statement No. 87 –** In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement are effective for reporting periods beginning after December 15, 2019.

**GASB Statement No. 88 –** In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements.* The primary objective of this statement is to improve the information that is disclosed in notes to the government financial statement related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement are effective for reporting periods beginning after June 15, 2018.

**GASB Statement No. 89 –** In June 2017, GASB issued Statement No. 89, *Accounting for interest Cost Incurred before the End of a Construction Period.* The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of construction period. This statement is effective for reporting periods beginning after December 15, 2019.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

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

| | | |
|---|---|---|
| Governmental activities | $ | 49,588,382 |
| Self-Insurance Fund | | 316,650 |
| Fiduciary funds | | 708,645 |
| **Total Deposits and Investments** | $ | 50,613,677 |

Deposits and investments as of June 30, 2018, consist of the following:

| | | |
|---|---|---|
| Cash on hand and in banks | $ | 790,118 |
| Cash in revolving accounts | | 15,000 |
| Investments | | 49,808,559 |
| **Total Deposits and Investments** | $ | 50,613,677 |

### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata 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.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Medium-Term Corporate Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Fund | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Joint Powers Authority Pools | N/A | None | None |

**Authorized Under Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Joaquin County Investment Pool.

**Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

> Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
>
> Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
>
> Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Joaquin County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

**Weighted Average Maturity**

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District’s portfolio is present in the following schedule:

| Investment Type | Fair Value | Days to Maturity |
|---|---|---|
| San Joaquin County Investment Pool | $ 49,240,741 | 482 days |

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

| Investment Type | Minimum Legal Rating | Rating June 30, 2018 | Fair Value |
|---|---|---|---|
| San Joaquin County Investment Pool | Not Required | Unrated | $ 49,240,741 |

**Custodial Credit Risk – Deposits**

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 $805,118 and the bank balance was $813,716. Of the bank balance, $345,135 was insured by the FDIC, and $468,581 remained uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable laws

**NOTE 3 – RECEIVABLES**

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | Governmental Funds | | | | | |
|---|---|---|---|---|---|---|
| | General Fund | Debt Service Funds | Capital Project for Blended Component Units | Non-Major Governmental Funds | Total | Self Insurance Funds |
| Federal Government | | | | | | |
| Categorical aid | $1,827,167 | $ - | $ - | $ 451,333 | $2,278,500 | $ - |
| State Government | | | | | | |
| Apportionment | 127,951 | - | - | 6,835 | 134,786 | - |
| Other State | 525,727 | | - | 312,416 | 838,143 | - |
| Local Government | | | | | | |
| Interest | 112,642 | 10,084 | 4,310 | 56,075 | 183,111 | 9,144 |
| Other Local Sources | 217,630 | - | - | 212,430 | 430,060 | - |
| Total | $2,811,117 | $10,084 | $ 4,310 | $ 1,039,089 | $3,864,600 | $ 9,144 |

## NOTE 4 – CAPITAL ASSETS

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

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 12,093,930 | $ 644,012 | $ - | $ 12,737,942 |
| Work in Progress | 30,197,086 | 9,608,484 | 24,091,370 | 15,714,200 |
| Total Capital Assets Not Being Depreciated | 42,291,016 | 10,252,496 | 24,091,370 | 28,452,142 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 21,120,677 | 152,667 | - | 21,273,344 |
| Buildings and Improvements | 158,129,527 | 22,484,492 | - | 180,614,019 |
| Furniture and Equipment | 6,179,495 | 853,010 | 135,720 | 6,896,785 |
| Total Capital Assets Being Depreciated | 185,429,699 | 23,490,169 | 135,720 | 208,784,148 |
| Total Capital Assets | 227,720,715 | 33,742,665 | 24,227,090 | 237,236,290 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 6,618,936 | 779,267 | - | 7,398,203 |
| Buildings and Improvements | 73,906,497 | 6,371,837 | - | 80,278,334 |
| Furniture and Equipment | 4,229,994 | 392,393 | 42,943 | 4,579,444 |
| Total Accumulated Depreciation | 84,755,427 | 7,543,497 | 42,943 | 92,255,981 |
| Governmental Activities Capital Assets, Net | $ 142,965,288 | $ 26,199,168 | $ 24,184,147 | $ 144,980,309 |

Depreciation expense was charged as a direct expense to governmental functions as follows:

| | |
|---|---|
| **Governmental Activities** | |
| Unallocated | $ 7,541,497 |

## NOTE 5 – INTERFUND TRANSACTIONS

### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consisted of amounts as shown in the schedule below:

| | Due From | | | | |
|---|---|---|---|---|---|
| Due To | General Fund | Deferred Maintenance Fund | Non-Major Governmental Funds | Self Insurance Fund | Total |
| General Fund | $ - | $ - | $ 737,241 | $ 7,984 | $ 745,225 |
| Non-Major Governmental Funds | 568,652 | 1,045,212 | - | - | 1,613,864 |
| Total | $ 568,652 | $ 1,045,212 | $ 737,241 | $ 7,984 | $ 2,359,089 |

### Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

| | Transfer From | | | | |
|---|---|---|---|---|---|
| Transfer To | General Fund | Capital Project for Blended Component Units | Non-Major Governmental Funds | Self Insurance Fund | Total |
| General Fund | $ - | $ - | $ - | $ - | $ - |
| Deferred Maintenance Funds | 1,440,424 | - | - | - | 1,440,424 |
| Non-Major Governmental Funds | 86,668 | 250,000 | - | - | 336,668 |
| Self Insurance Fund | 622,418 | - | - | - | 622,418 |
| | $ 2,149,510 | $ 250,000 | $ - | $ - | $ 2,399,510 |

| | |
|---|---|
| The General Fund transferred to the Cafeteria Fund for negative balances. | $ 14,781 |
| The General Fund transferred to the Charter Fund for Title I portion | 71,887 |
| The General Fund transferred to the Deferred Maintenance Fund for district match and repairs. | 1,440,424 |
| The General Fund transferred to Self-Insurance fund for insurance premiums. | 622,418 |
| The Capital Project for Blended Comonent Units Fund to Debt Service Fund for debt service expenses | 250,000 |
| | $ 2,399,510 |

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

| | General Fund | Deferred Maintenanace Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|
| Apportionment | $ 15,144 | $ - | $ - | $ 15,144 |
| Salaries and benefits | 826,555 | - | 150,969 | 977,524 |
| Construction | 13,314 | 788,246 | 1,085,201 | 1,886,761 |
| Other Liabilities | 1,936,190 | - | 138,386 | 2,074,576 |
| Total | $ 2,791,203 | $ 788,246 | $ 1,374,556 | $ 4,954,005 |

## NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

| | **General Fund** | **Non-Major Governmental Funds** | **Total Governmental Funds** |
|---|---|---|---|
| Federal financial assistance | $ 1,388 | $ 24,848 | $ 26,236 |
| State categorical aid | 376,981 | 16,261 | 393,242 |
| Total | $ 378,369 | $ 41,109 | $ 419,478 |

## NOTE 8 – LONG-TERM OBLIGATIONS

### Summary

The changes in the District's long-term obligations during the year consisted of the following:

| | (As Restated) Balance July 1, 2017 | Additions and Adjustments | Deductions | Balance June 30, 2018 | Due in One Year |
|---|---|---|---|---|---|
| General obligation bonds | $ 81,115,536 | $ 6,636,000 | $ 8,967,873 | $ 78,783,663 | $ 2,984,758 |
| Bond premium net of amortization | 5,455,885 | - | 163,305 | 5,292,580 | 163,305 |
| Accreted interest on bonds | 13,421,531 | 1,725,507 | 127,127 | 15,019,911 | 148,242 |
| Community facilities bonds | 27,576,568 | - | 5,845,000 | 21,731,568 | 1,415,000 |
| Certifcates of participation | 3,680,000 | - | 325,000 | 3,355,000 | 270,000 |
| Qualified zone academy bond | 1,089,836 | - | 172,767 | 917,069 | 176,222 |
| Technical education loans | 1,019,380 | - | 327,276 | 692,104 | 339,638 |
| Net OPEB liability | 8,622,921 | 159,738 | 46,546 | 8,736,113 | - |
| Compensated absences | 255,629 | - | 2,204 | 253,425 | - |
| Net pensions liabilities | 81,072,575 | 12,465,653 | - | 93,538,228 | - |
| | $ 223,309,861 | $ 20,986,898 | $ 15,977,098 | $ 228,319,661 | $ 5,497,165 |

Payments on the general obligation bonds are made by the bond interest and redemption fund from local property tax revenues. Payments on the certificates of participation are made by the capital facilities fund. The compensated absences are paid for by the funds for which the employees worked.

### General obligation bond

The outstanding general obligation bonded debt is as follows:

On February 16, 2005, the District issued General Obligation Bonds totaling $29,999,379. These serial bonds with interest rates from 3.00% to 6.75% were scheduled to mature in varying amounts through August 2030. With the issuance of the 2013 Refunding Bonds, $22,615,000 of the 2005 bonds outstanding at June 30, 2013 was considered defeased.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ - | $ - | $ - |
| 2026-2030 | 1,331,583 | 4,773,415 | 6,104,998 |
| 2031 | 637,796 | 2,592,204 | 3,230,000 |
| | $ 1,969,379 | $ 7,365,619 | $ 9,334,998 |
| Amount Paid during FY 2018 | | $ - | |

On October 25, 2006, the District issued General Obligation Bonds totaling $12,863,292. These serial bonds with interest rates from 4.00% to 6.82% mature in varying amounts through August 2031.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ - | $ - | $ - |
| 2024-2028 | 1,437,809 | 2,182,191 | 3,620,000 |
| 2029-2032 | 3,450,483 | 9,049,517 | 12,500,000 |
| | $ 4,888,292 | $ 11,231,708 | $ 16,120,000 |
| Amount Paid during FY 2018 | | $ 6,200,000 | |

On August 17, 2007, the District issued General Obligation Bonds totaling $4,507,885. These serial bonds with interest rates from 3.95% to 5.72% mature in varying amounts through August 2032.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 112,560 | $ 72,440 | $ 185,000 |
| 2020 | 112,318 | 82,682 | 195,000 |
| 2021 | 117,644 | 97,356 | 215,000 |
| 2022 | 117,025 | 107,975 | 225,000 |
| 2023 | 121,052 | 123,948 | 245,000 |
| 2024-2028 | 644,033 | 885,967 | 1,530,000 |
| 2029-2033 | 1,736,691 | 4,753,309 | 6,490,000 |
| | $ 2,961,323 | $ 6,123,677 | $ 9,085,000 |
| Amount Paid during FY 2018 | | $ 946,087 | |

On March 14, 2008, the District issued General Obligation Bonds totaling $2,625,860. These serial bonds mature in varying amounts through February 2033 with interest rates from 5.75% to 6.30%. With this issuance, all Measure P General Obligation Bond funds authorized have been issued.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 84,198 | $ 75,802 | $ 160,000 |
| 2020 | 84,080 | 85,920 | 170,000 |
| 2021 | 81,347 | 93,653 | 175,000 |
| 2022 | 78,638 | 101,362 | 180,000 |
| 2023 | 78,016 | 111,984 | 190,000 |
| 2024-2028 | 450,315 | 612,589 | 1,062,904 |
| 2029-2033 | 1,394,954 | 3,043,446 | 4,438,400 |
| 2034 | - | - | - |
| | $ 2,251,548 | $ 4,124,756 | $ 6,376,304 |
| Amount Paid during FY 2018 | | $ 86,786 | |

On February 1, 2012, the District issued General Obligation Bonds totaling $9,297,123. These serial bonds with interest rates from 2.50% to 5.39% mature in varying amounts through August 2037.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 150,000 | $ 231,444 | $ 381,444 |
| 2020 | 180,000 | 225,069 | 405,069 |
| 2021 | - | 220,569 | 220,569 |
| 2022 | 40,000 | 220,569 | 260,569 |
| 2023 | 60,000 | 217,069 | 277,069 |
| 2024-2028 | 729,331 | 1,046,087 | 1,775,418 |
| 2029-2033 | 1,221,301 | 1,274,351 | 2,495,652 |
| 2034-2038 | 3,571,490 | 869,850 | 4,441,340 |
| | - | - | - |
| | $ 5,952,122 | $ 4,305,008 | $ 10,257,130 |
| Amount Paid during FY 2018 | | $ 125,000 | |

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 285,000 | $ 250,052 | $ 535,052 |
| 2020 | 285,000 | 238,972 | 523,972 |
| 2021 | 290,000 | 227,794 | 517,794 |
| 2022 | 290,000 | 216,518 | 506,518 |
| 2023 | 295,000 | 205,146 | 500,146 |
| 2024-2028 | 1,530,000 | 822,437 | 2,352,437 |
| 2029-2033 | 1,695,000 | 422,219 | 2,117,219 |
| 2034-2037 | 735,000 | 38,984 | 773,984 |
| | $ 5,405,000 | $ 2,422,122 | $ 7,827,122 |
| Amount Paid during FY 2018 | | $ 285,000 | |

On April 1, 2014, the District issued General Obligation Bonds totaling $14,000,000. These serial bonds with interest rates from 4.00% to 5.00% mature in varying amounts through August 2038.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 45,000 | $ 583,056 | $ 628,056 |
| 2020 | 70,000 | 581,256 | 651,256 |
| 2021 | 190,000 | 578,456 | 768,456 |
| 2022 | 210,000 | 570,856 | 780,856 |
| 2023 | 245,000 | 562,456 | 807,456 |
| 2024-2028 | 1,830,000 | 2,602,782 | 4,432,782 |
| 2029-2033 | 3,140,000 | 2,028,932 | 5,168,932 |
| 2034-2038 | 5,785,000 | 1,212,657 | 6,997,657 |
| | 1,750,000 | 75,725 | 1,825,725 |
| | $ 13,265,000 | $ 8,796,176 | $ 22,061,176 |
| Amount Paid during FY 2018 | | $ 35,000 | |

On February 1, 2013, the District issued $21,445,000 of General Obligation Refunding Bonds to refund a portion, $22,615,000, of the District's outstanding Election of 2004, Series 2005 bonds and to pay costs of issuing the Refunding Bonds. The bonds mature in varying amounts through August 2026 with interest rates from 2.0% to 5.0%.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 1,275,000 | $ 679,850 | $ 1,954,850 |
| 2020 | 1,410,000 | 626,150 | 2,036,150 |
| 2021 | 1,550,000 | 566,950 | 2,116,950 |
| 2022 | 1,705,000 | 501,850 | 2,206,850 |
| 2023 | 1,865,000 | 430,450 | 2,295,450 |
| 2024-2027 | 9,330,000 | 788,825 | 10,118,825 |
| | $ 17,135,000 | $ 3,594,075 | $ 20,729,075 |
| Amount Paid during FY 2018 | | $ 1,150,000 | |

On July 21, 2015, the District issued $18,460,000 of General Obligation Bonds to finance the acquisition and construction of school facilities project in the District. These Election Bonds of 2012 Series C has an interest rate from 2.00% to 5.00% and matures in varying amounts through August 2039.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ - | $ 794,075 | $ 794,075 |
| 2020 | - | 794,075 | 794,075 |
| 2021 | 160,000 | 794,075 | 954,075 |
| 2022 | 200,000 | 789,272 | 989,272 |
| 2023 | 245,000 | 783,275 | 1,028,275 |
| 2024-2028 | 2,055,000 | 3,679,375 | 5,734,375 |
| 2029-2033 | 3,810,000 | 3,073,475 | 6,883,475 |
| 2034-2038 | 5,300,000 | 2,003,200 | 7,303,200 |
| 2039-2040 | 6,550,000 | 434,400 | 6,984,400 |
| | $ 18,320,000 | $ 13,145,222 | $ 31,465,222 |
| Amount Paid during FY 2018 | | $ 140,000 | |

On February 28, 2018, the District issued $6,636,000 of General Obligation Refunding Bonds to refund the outstanding maturities of the Lincoln Unified School District General Obligation Bonds Election of 2004, Series 2006, maturing August 1, 2018 through August 1, 2024, in the aggregate principal amount of $6,505,000. The Bonds shall mature on August 1, 2031 and bear interest at a rate of 2.56%

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 998,000 | $ 128,565 | $ 1,126,565 |
| 2020 | 730,000 | 117,901 | 847,901 |
| 2021 | 787,000 | 98,867 | 885,867 |
| 2022 | 850,000 | 78,310 | 928,310 |
| 2023 | 915,000 | 56,167 | 971,167 |
| 2024-2025 | 1,499,000 | 38,861 | 1,537,861 |
| | $ 5,779,000 | $ 518,671 | 6,297,671 |
| Amount Paid during FY 2018 | | $ - | |

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 35,000 | $ 24,229 | $ 59,229 |
| 2020 | 58,000 | 24,806 | 82,806 |
| 2021 | 62,000 | 22,994 | 84,994 |
| 2022 | 66,000 | 21,061 | 87,061 |
| 2023 | 70,000 | 19,003 | 89,003 |
| 2024-2028 | 133,000 | 71,961 | 204,961 |
| 2029-2033 | 433,000 | 55,367 | 488,367 |
| | $ 857,000 | $ 239,421 | 1,096,421 |
| Amount Paid during FY 2018 | | $ - | |

**Community facilities bond**

The outstanding Community Facilities bonded debt is as follows:

On December 16, 2005, the District issued $14,995,814 in Special Tax Bonds with interest rates ranging from 3.25% to 5.31%.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ - | $ - | $ - |
| 2024-2028 | 1,404,963 | 2,455,037 | 3,860,000 |
| 2029-2033 | 2,886,902 | 6,773,098 | 9,660,000 |
| 2034-2038 | 2,168,950 | 7,491,050 | 9,660,000 |
| | $ 6,460,815 | $ 16,719,185 | $ 23,180,000 |
| Amount Paid during FY 2018 | | $ - | |

On September 1, 2007, the District issued $4,890,753 in Special Tax Bonds with interest rates ranging from 3.95% to 5.72%

.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ - | $ - | $ - |
| 2034-2038 | 145,753 | 1,999,247 | 2,145,000 |
| | $ 145,753 | $ 1,999,247 | $ 2,145,000 |
| Amount Paid during FY 2018 | | $ 5,845,000 | |

On December 20, 2016, The District issued $16,615,000 in Special Tax Refunding Bonds with interest rates ranging from 2.00% to 5.00%.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | 1,415,000 | 672,319 | $ 2,087,319 |
| 2020 | 1,460,000 | 629,869 | 2,089,869 |
| 2021 | 1,690,000 | 571,469 | 2,261,469 |
| 2022 | 1,775,000 | 486,968 | 2,261,968 |
| 2023 | 1,865,000 | 398,218 | 2,263,218 |
| 2024-2028 | 4,690,000 | 853,408 | 5,543,408 |
| 2029-2033 | 1,310,000 | 356,872 | 1,666,872 |
| 2034-2036 | 920,000 | 74,200 | 994,200 |
| | $ 15,125,000 | $ 4,043,323 | $ 19,168,323 |
| Amount Paid during FY 2018 | | $ 1,490,000 | |

**Qualified Zone Academy Bond**

On December 19, 2007, the District issued Qualified Zone Academy Bonds, Series 2007 in the amount of $2,500,000 with an interest rate of 2.0%. As of June 30, 2018, the principal balance outstanding was $1,089,836.

The bonds mature through December 2022 as follows:

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 176,222 | $ 18,341 | $ 194,563 |
| 2020 | 179,747 | 14,817 | 194,564 |
| 2021 | 183,342 | 11,205 | 194,547 |
| 2022 | 187,009 | 7,485 | 194,494 |
| 2023 | 190,749 | 3,902 | 194,651 |
| | $ 917,069 | $ 55,750 | $ 972,819 |
| Amount Paid during FY 2018 | | $ 172,767 | |

**Certificate of Participation**

On December 20, 2016, the District issued Certificates of Participation in the amount of 3,680,000 with interest rate ranging from 2.00% to 5.00%. The net proceeds of the Certificates will be used to prepay the District's lease payment obligations under a lease agreement dated as of April 1, 2005, fund certain capital facilities of the District and purchase a municipal bond insurance policy and a reserve fund insurance policy for the Certificates, as well as any costs incurred in connection with the execution and delivery of the Certificates.

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 270,000 | $ 159,600 | $ 429,600 |
| 2020 | 275,000 | 151,500 | 426,500 |
| 2021 | 380,000 | 140,500 | 520,500 |
| 2022 | 400,000 | 121,500 | 521,500 |
| 2023 | 420,000 | 101,500 | 521,500 |
| 2024-2027 | 1,610,000 | 186,750 | 1,796,750 |
| | $ 3,355,000 | $ 861,350 | $ 4,216,350 |
| Amount Paid during FY 2018 | | $ 325,000 | |

**Career Technical Education Facilities Program**

On October 27, 2009, the District took on a loan resulting from the Career Technical Education Facilities Program in the amount of $3,000,000 with an interest rate of 3.777%. As of June 30, 2018, the principal balance outstanding was $1,019,380.

The payments through July 2019 are as follows:

| Year End June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 339,638 | $ 26,141 | $ 365,779 |
| 2020 | 352,466 | 13,313 | 365,779 |
| | $ 692,104 | $ 39,454 | $ 731,558 |
| Amount Paid during FY 2018 | | $ 327,276 | |

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $253,424.

### Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows/(inflows) of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability | Deferred Outflows/ (Inflows) of Resources | OPEB Expense |
|---|---|---|---|
| District Plan | $ 8,266,506 | $ - | $ 693,709 |
| Medicare Premium Payment (MPP) Program | 469,607 | - | (14,502) |
| | $ 8,736,113 | $ - | $ 679,207 |

The details of each plan are located in note 8 of the financial statements.

## NOTE 9 – FUND BALANCES

Fund balances with reservations and designations are comprised of the following elements:

| | General Fund | Deferred Maintenance Fund | Capital Project for Blended Component Units | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Revolving cash | $ 15,000 | $ - | $ - | $ - | $ 15,000 |
| Stores | 173,806 | - | - | 150,623 | 324,429 |
| Restricted for: | | | | | |
| Other fund activities | 3,900,919 | - | 877,869 | 17,297,965 | 22,076,753 |
| Committed to: | | | | | |
| Other commitments | - | - | - | - | - |
| Assigned to: | | | | | |
| 2018-19 Technology One time | 700,000 | - | - | - | 700,000 |
| 2019-20 Technology One time | 2,700,000 | - | - | - | 2,700,000 |
| 2020-21 Technology One time | 750,000 | - | - | - | 750,000 |
| 2021-22 Technology One time | 1,400,000 | - | - | - | 1,400,000 |
| 2022-23 Technology One time | 700,000 | - | - | - | 700,000 |
| Extended Day Kindergarten | 400,000 | - | - | - | 400,000 |
| Site Carryover | 524,750 | - | - | - | 524,750 |
| Other Assignments | - | 2,690,063 | - | 358,135 | 3,048,198 |
| Unassigned: | | | | | |
| Reserve for Economic Uncertainty | 3,275,689 | - | - | - | 3,275,689 |
| Unassigned/Unappropriated Amount | 12,497,093 | - | - | - | 12,497,093 |
| **Total Fund Balance** | $ 27,037,257 | $ 2,690,063 | $ 877,869 | $ 17,806,723 | $ 48,411,912 |

## NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

### Plan Description

*Plan administration.* The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Lincoln Unified School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees. These benefits are offered as a package through California's Valued Trust (CVT).

Retirees' spouses and eligible dependent children may be covered under the medical/Rx plans; however, the present level of the District caps relative to the premiums results in de facto retiree-only coverage. The same comment holds true for dental and vision coverage. Retirees pay the difference between the total premium and the District cap if they elect to cover dependents under the plan.

| | **Management** | **Certificated** | **Classified** | **Confidential Supervisory** |
|---|---|---|---|---|
| Benefit Types Provided | Medical, dental and vision | Medical, dental and vision | Medical, dental and vision | Medical, dental and vision |
| Duration of Benefits | To Age 65 | To Age 65 | To Age 65 | To Age 65 |
| Required Service | 10 Years | 10 Years | 20 Years | 10 Years |
| Minimum Age | 55 | 55 | 55 | 55 |
| Dependent Coverage | Yes | Yes | Yes | Yes |
| District Contribution % | 100% | 100% | 100% | 100% |
| District Cap | $811 per month | $717 per month | $811 per month | $811 per month |

*Plan membership* - At July 1, 2016, membership consisted of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 45 |
| Active plan members | 820 |

### Contribution Information

*Contributions* - The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through agreements between the District, the District's bargaining units and unrepresented groups.

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

At June 30, 2018, the District reported a liability of $8,266,506 for its net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016. Standard actuarial procedures were used to project/discount from valuation to measurement dates

For the year ending June 30, 2018, the District recognized OPEB expense of $693,709. At June 30, 2018, the District reported zero deferred outflows of resources and zero deferred inflows of resources related to OPEB.

**Actuarial Assumptions**

| | |
|---|---|
| Valuation date | July 1, 2016 |
| Measurement date | June 30, 2018 |
| Experience study | July 1, 2014 through June 30, 2016 |
| Actuarial cost method | Entry age normal |
| Discount rate | 3.62% |
| Wage growth | 3.00% |
| Healthcare Cost Trend Rate | 6.00% for 2017; 5.00% for 2018; and 5.00% for 2018 and later years |

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

*Discount rate*. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

| Reporting Date | Measurement Date | Long-Term Expected Return of Plan Investments (if any) | Municipal Bond 20-Year High Grade Rate Index | Discount Rate |
|---|---|---|---|---|
| June 30, 2018 | June 30, 2018 | 4.00% | 3.62% | 3.62% |

**Changes in the Total OPEB Liability**

| | 2018 |
|---|---|
| **Total OPEB Liability** | |
| Service Cost | $ 409,823 |
| Interest | 283,886 |
| Benefit payments | (533,971) |
| Net change in total OPEB liability | 159,738 |
| Total OPEB liability - beginning | 8,106,768 |
| Total OPEB liability - ending | $ 8,266,506 |

**Sensitivity of the District's Net OPEB liability to Changes in the Discount Rate**

The following presents the District's net OPEB liability calculated using the discount rate of 6.00%, as well as what the District's net OPEB liability would be if there were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

| Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (2.62%) | $ 8,775,929 |
| Current discount rate (3.62%) | $ 8,266,506 |
| 1% increase (4.62%) | $ 7,771,281 |

**Sensitivity of the District's Net OPEB liability to Healthcare Cost Trend Rate**

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

| Healthcare cost trend rates | Net OPEB Liability |
|---|---|
| 1% decrease (5.00% decreasing to 4.00%) | $ 8,089,166 |
| Trend rate (6.00% decreaseing to 5.00%) | $ 8,266,506 |
| 1% increase (7.00% decreasing to 6.00%) | $ 8,476,687 |

**Medicare Premium Payment (MPP) Program**

**Plan Description**
The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

**Contributions**

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB**

At June 30, 2018, the District reported a liability of $149,568 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.123 percent and 0.116 percent, resulting in a net increase in the proportionate share of 0.007 percent.
For the year ended June 30, 2018, the District recognized OPEB expense of ($14,502).

**Actuarial Methods and Assumptions**

The total OPEB liability for the MPP Program as of June 30, 2017, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

| | | |
|---|---|---|
| Measurement Date | June, 30, 2018 | June 30, 2017 |
| Valuation Date | June 30, 2017 | June 30, 2016 |
| Experience Study | July 1, 2010 through June 30, 2015 | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.87% | 3.58% |
| Medicare Part A Premium Cost Trend Rate | 3.70% | 3.70% |
| Medicare Part B Premium Cost Trend Rate | 4.10% | 4.10% |

For the valuation as of June 30, 2017, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2018, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018 and 2017, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the state treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018 and 2017 was 3.87 percent and 3.58 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent and 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018 and 2017, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

| Discount Rate | | Net OPEB Liability |
|---|---|---|
| 1% decrease (2.87%) | $ | 519,409 |
| Current discount rate (3.87%) | $ | 469,607 |
| 1% increase (4.87%) | $ | 424,639 |

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates**

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

| Healthcare cost trend rates | | Net OPEB Liability |
|---|---|---|
| 1% decrease (2.7% Part A and 3.1% Part B) | $ | 428,234 |
| Trend rate (3.7% Part A and 4.1% Part B) | $ | 469,607 |
| 1% increase (4.7% Part A and 5.1% Part B) | $ | 514,103 |

**NOTE 11 – RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2018, the District contracted for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For the fiscal year 2018, the District participated in the San Joaquin County Schools Workers' Compensation Insurance Group, an insurance purchasing pool. The intent of the San Joaquin County Schools Workers' Compensation Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the San Joaquin County Schools Workers' Compensation Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the San Joaquin County Schools Workers' Compensation Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity-pooling" arrangement ensures that each participant shares equally in the overall performance of the San Joaquin County Schools Workers' Compensation Insurance Group. Participation in the San Joaquin County Schools Workers' Compensation Insurance Group is limited to districts that can meet the San Joaquin County Schools Workers' Compensation Insurance Group selection criteria.

| Insurance Program/Company Name | Type of Coverage | Limits |
|---|---|---|
| San Joaquin County W/C JPA (PIPS) | Workers' Compensation | $1,000,000 |
| Norcal ReLief | General Liability | $5,000,000 with $50,000 retention |
| | Automobile | $5,000,000 with $50,000 retention |
| | Property | $250,250,000 with $25,000 retention |
| | Student Professional Liability | Included with $50,000 retention |

**Employee Medical Benefits**

The District has contracted with the Self Insured Schools of California to provide employee medical and surgical benefits for all employees. The entity is a shared risk pool comprised of school districts throughout the state. Rates are set through an annual calculation process. The District pays a monthly contribution to the entity, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

## NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statement No. 68 and No. 71 for the fiscal year ended June 30, 2018. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

| Pension Plan | Proportionate Share of Net Pension Liability | Deferred Outflow of Resources | Proportionate Share of Deferred Inflow of Resources | Proportionate Share Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 67,454,078 | $ 24,107,029 | $ 7,448,084 | $ 7,435,339 |
| CalPERS | 26,084,150 | 8,301,869 | - | 5,433,759 |
| Total | $ 93,538,228 | $ 32,408,898 | $ 7,448,084 | $ 12,869,098 |

### California State Teachers' Retirement System (CalSTRS)

### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

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

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $6,023,590.

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

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

| | |
|---|---|
| Total net pension liability, including State share: | |
| District's proportionate share of net pension liability | $ 67,454,078 |
| State's proportionate share of the net pension liability associated with the District | 39,905,263 |
| | $ 107,359,341 |

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportionate share for measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0729 percent and 0.0738 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,435,339. In addition, the District recognized pension expense and revenue of $3,245,151 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ - | $ 1,796,490 |
| Differences between expected and actual experiences | - | 968,631 |
| Change in assumption | 12,496,343 | - |
| Changes in proportion and differences between District contributions and proportionate share contributions | 5,587,096 | 4,682,963 |
| Pension contributions subsequent to measurement date | 6,023,590 | - |
| Total | $ 24,107,029 | $ 7,448,084 |

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2019 | $ (1,493,063) |
| 2020 | 1,129,827 |
| 2021 | 165,572 |
| 2022 | (1,598,826) |
| Total | $ (1,796,490) |

The deferred outflows/(inflows) of resources relate to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 7 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2019 | $ 2,342,252 |
| 2020 | 2,342,252 |
| 2021 | 2,342,252 |
| 2022 | 2,342,252 |
| 2023 | 1,081,874 |
| 2024 | 1,980,963 |
| Total | $ 12,431,845 |

**Actuarial Methods and Assumptions**

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

| | |
|---|---|
| Valuation date | June 30, 2016 |
| Measurement date | June 30, 2017 |
| Experience study | July 1, 2010 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

CalSTRS uses 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.

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 99,044,002 |
| Current discount rate (7.10%) | $ 67,454,078 |
| 1% increase (8.10%) | $ 41,816,714 |

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

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

**Benefits Provided**

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

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

| | School Employer Pool (CalPERS) | |
|---|---|---|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 2.0% - 2.4% |
| Required employee contribution rate | 7.000% | 6.5% |
| Required employer contribution rate | 15.531% | 15.531% |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $1,894,650.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $26,084,150. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1093 percent and 0.1082 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

For the year ended June 30, 2018, the District recognized pension expense of $5,433,759. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ 902,333 | $ - |
| Differences between expected and actual experience | 934,488 | - |
| Change in assumption | 3,468,769 | - |
| Changes in proportion and differences between District contributions and proportionate share contributions | 677,046 | - |
| Pension contributions subsequent to measurement date | 2,319,233 | - |
| Total | $ 8,301,869 | $ - |

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2019 | $ (24,450) |
| 2020 | 1,041,097 |
| 2021 | 379,804 |
| 2022 | (494,118) |
| Total | $ 902,333 |

The deferred outflows/(inflows) of resources relate to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2019 | $ 1,858,786 |
| 2018 | 1,748,327 |
| 2020 | 1,473,190 |
| Total | $ 5,080,303 |

### Actuarial Methods and Assumptions

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

| | |
|---|---|
| Valuation date | June 30, 2016 |
| Measurement date | June 30, 2017 |
| Experience study | July 1, 1997 through June 30, 2011 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.75% |
| Wage growth | Varies by entry age and service |

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the longterm (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Global equity | 47% | 5.38% |
| Global fixed income | 19% | 2.27% |
| Private equity | 12% | 6.63% |
| Real estate | 11% | 5.21% |
| Inflation sensitive | 6% | 1.39% |
| Infrastructure and Forestland | 3% | 5.36% |
| Liquidity | 2% | -0.90% |

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 38,378,143 |
| Current discount rate (7.15%) | $ 26,084,150 |
| 1% increase (8.15%) | $ 15,885,253 |

**Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings and employees are required to contribute an additional 6.2% of gross earnings.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $3,245,151 to CalSTRS (9.328% of 2015-16 creditable compensation subject to CalSTRS).

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

**Litigation**

The District is involved in various legal litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

## NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Joaquin County School Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group public entity risk pools, the San Joaquin County Schools Data Processing Center Joint Power Authorities (JPA) Northern California Regional Liability Excess Fund, Schools Excess Liability Fund, and Central Valley Schools Health and Welfare Trust. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

Financial information for CVSHWT was not available. The following is a summary of financial information for the other JPA's as June 30, 2017 (the latest information available):

| | SJCSWC JPA | SJCSPL JPA | NCRLF | SJCSDPC | SELF |
|---|---|---|---|---|---|
| Total assets | $ 14,753,357 | $ 1,268,634 | $ 75,820,062 | $ 2,572,786 | $126,580,000 |
| Total liabilities | $ 2,159,591 | $ 250,505 | $ 58,196,144 | $ 18,756 | $104,151,000 |
| Net position | $ 12,593,766 | $ 1,018,129 | $ 17,623,918 | $ 2,554,030 | $ 22,429,000 |
| Total revenues | $ 8,997,545 | $ 2,071,872 | $ 53,217,025 | $ 3,186,035 | $ 14,641,000 |
| Total expenses | $ 8,653,864 | $ 1,976,224 | $ 52,936,643 | $ 3,142,301 | $ 13,747,000 |
| Change in net position | $ 343,681 | $ 95,648 | $ 280,382 | $ 43,734 | $ 894,000 |

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

## NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been rested in order to record the District's net OPEB liability and deferred outflows of resources related to OPEB in accordance with GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

| | |
|---|---|
| Net Position - Beginning as Previously Reported | $ (11,036,404) |
| Restatement due to GASB 75 | (4,299,695) |
| Net position - Beginning as Restated | $ (15,336,099) |

## *II - Required Supplementary Information*

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# LINCOLN UNIFIED SCHOOL DISTRICT

## GENERAL FUND
## BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts (GAAP Basis) | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual (GAAP Basis) | Final to Actual |
| **REVENUES** | | | | |
| LCFF sources | $ 80,243,566 | $ 80,732,049 | $ 80,732,049 | $ - |
| Federal sources | 3,949,906 | 4,428,215 | 4,428,215 | - |
| Other State sources | 6,991,449 | 8,719,635 | 8,719,635 | - |
| Other local sources | 1,288,604 | 3,799,212 | 3,799,214 | 2 |
| **Total Revenues** | 92,473,525 | 97,679,111 | 97,679,113 | 2 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Certificated salaries | 42,721,322 | 41,036,703 | 41,036,703 | - |
| Classified salaries | 12,769,777 | 13,292,483 | 13,292,483 | - |
| Employee benefits | 20,600,701 | 19,689,618 | 19,689,616 | 2 |
| Books and supplies | 6,142,808 | 5,642,537 | 5,642,537 | - |
| Services and operating expenditures | 7,016,902 | 9,306,877 | 9,306,882 | (5) |
| Other outgo | 1,327,213 | 1,472,980 | 1,472,981 | (1) |
| Capital outgo | 971,221 | 2,476,493 | 2,476,493 | - |
| **Total Expenditures** | 91,549,944 | 92,917,691 | 92,917,695 | (4) |
| **Excess (Deficiency) of Revenues Over Expenditures** | 923,581 | 4,761,420 | 4,761,418 | (2) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers out | (1,022,630) | (2,149,510) | (2,149,510) | - |
| **Net Financing Sources (Uses)** | (1,022,630) | (2,149,510) | (2,149,510) | - |
| **NET CHANGE IN FUND BALANCES** | (99,049) | 2,611,910 | 2,611,908 | (2) |
| **Fund Balance - Beginning** | 24,425,349 | 24,425,349 | 24,425,349 | - |
| **Fund Balance - Ending** | $ 24,326,300 | $ 27,037,259 | $ 27,037,257 | $ (2) |

*See accompanying note to required supplementary information*

# LINCOLN UNIFIED SCHOOL DISTRICT

## DEFERRED MAINTENANCE FUND
## BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts (GAAP Basis) | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual (GAAP Basis) | Final to Actual |
| **REVENUES** | | | | |
| LCFF sources | $ - | $ - | $ - | $ - |
| Federal sources | - | - | - | - |
| Other State sources | - | - | - | - |
| Other local sources | 7,500 | 173,211 | 173,212 | 1 |
| **Total Revenues** | 7,500 | 173,211 | 173,212 | 1 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Certificated salaries | - | - | - | - |
| Classified salaries | - | - | - | - |
| Employee benefits | - | - | - | - |
| Books and supplies | - | - | - | - |
| Services and operating expenditures | - | 8,620 | 8,620 | - |
| Other outgo | - | - | - | - |
| Capital outgo | 800,000 | 986,194 | 986,194 | - |
| **Total Expenditures** | 800,000 | 994,814 | 994,814 | - |
| **Excess (Deficiency) of Revenues Over Expenditures** | (792,500) | (821,603) | (821,602) | 1 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 395,212 | 1,440,424 | 1,440,424 | - |
| **Net Financing Sources (Uses)** | 395,212 | 1,440,424 | 1,440,424 | - |
| **NET CHANGE IN FUND BALANCES** | (397,288) | 618,821 | 618,822 | 1 |
| **Fund Balance - Beginning** | 2,071,241 | 2,071,241 | 2,071,241 | - |
| **Fund Balance - Ending** | $ 1,673,953 | $ 2,690,062 | $ 2,690,063 | $ 1 |

*See accompanying note to required supplementary information*

## LINCOLN UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
## FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 |
|---|---|
| **Total OPEB Liability** | |
| Service Cost | $ 409,823 |
| Interest | 283,886 |
| Benefit payments | (533,971) |
| Net change in total OPEB liability | 159,738 |
| Total OPEB liability - beginning | 8,106,768 |
| Total OPEB liability - ending | $ 8,266,506 |
| | |
| **Plan fiduciary net position** | |
| Contributions - employer | $ 533,971 |
| Net investment income | - |
| Benefit payments | (533,971) |
| Net change in plan fiduciary net postion | - |
| Plan fiduciary net position - beginning | - |
| Plan fiduciary net position - ending | $ - |
| | |
| Net OPEB liabilty - ending | $ 8,266,506 |
| | |
| Covered payroll | $ 58,911,516 |
| | |
| Net OPEB liability (asset) as a percentage of covered payroll | 14.03% |

Note: In the future, as data becomes available, ten years of information will be presented

*See accompanying note to required supplementary information*

# LINCOLN UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
## FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 |
|---|---|
| District's proportion of the net OPEB liability | 0.123% |
| District's proportionate share of the net OPEB liability | $ 469,607 |
| District's covered employee payroll | N/A[1] |
| District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | N/A[1] |
| Plan fiduciary net position as a percentage of the total pension liability | 0.01% |

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented

*See accompanying note to required supplementary information*

**LINCOLN UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2018**

| | Measurement Date | | | |
|---|---|---|---|---|
| **CalSTRS** | **2017** | **2016** | **2015** | **2014** |
| Proportion of the net pension liability | 0.0729% | 0.0738% | 0.0820% | 0.0680% |
| District's proportionate share of the net pension liability | $ 67,454,078 | $59,697,245 | $55,018,091 | $39,602,988 |
| State's proportionate share of the net pension liability associated with the District | 39,905,263 | 33,984,577 | 29,098,505 | 23,920,205 |
| Total | $107,359,341 | $93,681,822 | $84,116,596 | $63,523,193 |
| District's Covered employee payroll | $ 39,169,193 | $38,121,156 | $35,506,404 | $31,946,618 |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 172% | 157% | 155% | 124% |
| Plan fiduciary net position as a percentage of the total pension liability | 69% | 70% | 74% | 77% |
| **CalPERS** | | | | |
| Proportion of the net pension liability | 0.1093% | 0.1082% | 0.1039% | 0.1001% |
| District's proportionate share of the net pension liability | $ 26,084,150 | $21,375,330 | $15,315,572 | $11,363,787 |
| District's covered employee payroll | $ 13,642,456 | $12,961,213 | $11,626,661 | $10,390,928 |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 191% | 165% | 132% | 109% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 74% | 79% | 83% |

Note: Fiscal year 2015 was the first year of implementation, therefore only four years are shown. As data becomes available, ten years of information will be presented

*See accompanying note to required supplementary information*

## LINCOLN UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
## AS OF JUNE 30, 2018

| **CalSTRS** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 6,023,590 | $ 4,927,203 | $ 4,083,781 | $ 3,152,807 |
| Contributions in relation to the actuarially determined contribution | 6,023,590 | 4,927,203 | 4,083,781 | 3,152,807 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $42,132,940 | $39,169,193 | $38,121,156 | $35,506,404 |
| Contribution as a percentage of covered-employee payroll | 14.30% | 12.58% | 10.71% | 8.88% |

| **CalPERS** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 2,319,233 | $ 1,894,650 | $ 1,530,519 | $ 1,363,877 |
| Contributions in relation to the actuarially determined contribution | 2,319,233 | 1,894,650 | 1,530,519 | 1,363,877 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $14,963,807 | $13,642,456 | $12,961,213 | $11,626,661 |
| Contribution as a percentage of covered-employee payroll | 15.50% | 13.89% | 11.81% | 11.73% |

Note: Fiscal year 2015 was the first year of implementation, therefore only four years are shown. As data becomes available, ten years of information will be presented.

*See accompanying note to required supplementary information*

## NOTE 1 – PURPOSE OF SCHEDULES

### 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 and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

### Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Change in Benefit Terms* -** There were no changes in benefit terms since the previous valuation for other postemployment benefits.

***Change of Assumptions* -** There were no change in assumptions since the previous valuation for other postemployment benefits.

### Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

***Changes in Benefit Terms*** - There were no changes in the benefit terms since the previous valuation.

***Changes of Assumptions*** - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

### Schedule of OPEB Contributions

A 10-year schedule presenting for each year the information indicated in subparagraphs (1)–(6), if an actuarially determined contribution is calculated for employers or nonemployer contributing entities. The schedule should identify whether the information relates to the employers, nonemployer contributing entities, or both.

An actuarially determined contribution was not calculated, therefore the Schedule of OPEB Contributions is not applicable and not presented.

**Schedule of Annual Money-Weighted Rate of Return on OPEB Plan Investment**

This 10-year schedule is required by GASB Statement No. 74/75. A 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on OPEB plan investments calculated as required by paragraph 34b(3) should be presented in required supplementary information.

The District did not participate in an irrevocable trust as of June 30, 2018, therefore the Schedule of Annual Money- Weighted rate of Return on OPEB plan investment is not applicable and not presented.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

***Changes in Benefit Terms* -** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes of Assumptions* -** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

**Schedule of District's Contributions for Pensions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

## *III - Supplementary Information*

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## LINCOLN UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2018

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed through California Department of Education: | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | $ 2,170,268 |
| Title II, Part A, Improving Teacher Quality Local Grants | 84.367 | 14341 | 390,044 |
| Title II, Part B, California Mathematics and Science Partnerships | 84.366 | 14512 | 57,573 |
| Title III, Limited English Proficient Student Program | 84.365 | 14346 | 120,225 |
| Title III Immigrat Education Program | 84.365 | 14346 | 8,872 |
| ARRA Quality Improvement Activities | 84.412 | 15181 | 4,178 |
| Vocational Programs, Secondary I C | 84.048 | 14894 | 47,881 |
| Individuals with Disabilities Education Act (IDEA) Cluster | | | |
| IDEA, Basic Local Assistance Entitlement, Part B | 84.027 | 13379 | 1,294,074 |
| IDEA, Preschool Grants, Part B | 84.173 | 13430 | 33,492 |
| IDEA, Preschool Basic Local Assistance Part B, Sec 611, Private School ISP's | 84.027 | 10115 | 6,513 |
| IDEA, Preschool Local Entitlement, Part B | 84.027A | 13682 | 154,472 |
| Subtotal Individuals with Disabilities Education Act (IDEA) Cluster | | | 1,488,551 |
| Total U.S. Department of Education | | | 4,287,592 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through California Department of Education: | | | |
| Fair Value of Commodities | 10.555 | 13391 | 243,638 |
| Child Nutrition Cluster | | | |
| National School Lunch | 10.555 | 13391 | 3,138,443 |
| National School Lunch Summer Program | 10.559 | 13004 | 60,326 |
| Subtotal Child Nutrition Cluster | | | 3,198,769 |
| Total U.S. Department of Agriculture | | | 3,442,407 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through California Department Health Services: | | | |
| Medical Billing Option | 93.778 | 10113 | 151,971 |
| Total U.S. Department of Health and Human Services | | | 151,971 |
| Total Expenditures of Federal Awards | | | $ 7,881,970 |

*See accompanying note to supplementary information.*

# LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
# FOR THE YEAR ENDED JUNE 30, 2018

## ORGANIZATION

The Lincoln Unified School District was established May 23, 1865 and consists of an area comprising approximately 7.2 square miles. The District operates eight elementary, one middle school, one high school and two continuation schools. There were no boundary changes during the year.

## GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Tony Yadon | President | 2018 |
| Jenny Van De Pol | Vice President/Clerk | 2018 |
| Norrie Palmer | Member | 2020 |
| Kathleen Solari | Member | 2020 |
| Donald Ruhstaller | Member | 2018 |

## ADMINISTRATION

| | |
|---|---|
| Tom Uslan | Superintendent |
| Rebecca Hall | Associate Superintendent, Business Services |
| Kelly Dextraze | Associate Superintendent, Education Services |
| Michele Tatum | Associate Superintendent, Human Resources |

*See accompanying note to supplementary information.*

## LINCOLN UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE
## FOR THE YEAR ENDED JUNE 30, 2018

| | Second Period Report | Annual Report |
|---|---|---|
| ELEMENTARY | | |
| Transitional kindergarten/kindergarten through third | 2,280.01 | 2,282.93 |
| Fourth through sixth | 1,896.37 | 1,897.81 |
| Seventh and eight | 1,439.46 | 1,433.56 |
| Extended year special education | 7.02 | 7.02 |
| Non-public special education | 5.01 | 5.49 |
| Total Elementary | 5,627.87 | 5,626.81 |
| SECONDARY | | |
| Ninth through twelfth | 2,967.40 | 2,943.43 |
| Extended year special education | 6.03 | 6.03 |
| Non-public special education | 7.34 | 7.15 |
| Total Secondary | 2,980.77 | 2,956.61 |
| Total Transitional kindergarten - twelfth | 8,608.64 | 8,583.42 |
| CHARTER-Classroom Based | | |
| Transitional kindergarten/kindergarten through third | 187.54 | 187.92 |
| Fourth through fifth | 164.96 | 164.68 |
| Total Elementary | 352.50 | 352.60 |

*See accompanying note to supplementary information.*

**SCHEDULE OF INSTRUCTIONAL TIME**
**FOR THE YEAR ENDED JUNE 30, 2018**

| Grade Level | 1986-87 Minutes Requirement | 2017-2018 Actual Minutes | Number of Days Traditional Calendar | Number of Days Multitrack Calendar | Status |
|---|---|---|---|---|---|
| Kindergarten | 36,000 | 36,000 | 180 | N/A | In Compliance |
| Grade 1 | 50,400 | 54,005 | 180 | N/A | In Compliance |
| Grade 2 | 50,400 | 54,005 | 180 | N/A | In Compliance |
| Grade 3 | 50,400 | 54,005 | 180 | N/A | In Compliance |
| Grade 4 | 54,000 | 54,316 | 180 | N/A | In Compliance |
| Grade 5 | 54,000 | 54,316 | 180 | N/A | In Compliance |
| Grade 6 | 54,000 | 54,316 | 180 | N/A | In Compliance |
| Grade 7 | 54,000 | 57,393 | 180 | N/A | In Compliance |
| Grade 8 | 54,000 | 57,393 | 180 | N/A | In Compliance |
| Grade 9 | 64,800 | 67,037 | 180 | N/A | In Compliance |
| Grade 10 | 64,800 | 67,037 | 180 | N/A | In Compliance |
| Grade 11 | 64,800 | 67,037 | 180 | N/A | In Compliance |
| Grade 12 | 64,800 | 67,037 | 180 | N/A | In Compliance |

**John McCandless Charter School**

| Grade Level | Minutes Requirement | 2017-2018 Actual Minutes | Number of Days Traditional Calendar | Number of Days Multitrack Calendar | Status |
|---|---|---|---|---|---|
| Kindergarten | 36,000 | 43,200 | 180 | N/A | In Compliance |
| Grade 1 | 50,400 | 66,015 | 180 | N/A | In Compliance |
| Grade 2 | 50,400 | 66,015 | 180 | N/A | In Compliance |
| Grade 3 | 50,400 | 66,015 | 180 | N/A | In Compliance |
| Grade 4 | 54,000 | 66,195 | 180 | N/A | In Compliance |
| Grade 5 | 54,000 | 66,195 | 180 | N/A | In Compliance |

*See accompanying note to supplementary information.*

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

| | |
|---|---|
| FORM ASSET | |
| Balance, June 30, 2018, Unaudited Actuals | $ 131,839,386 |
| Increase in: | |
| Land | 3,824,606 |
| Land Improvements | 984,537 |
| Buildings and improvements | 25,420,047 |
| Furniture and equipment | 1,068,890 |
| Accumulated depreciation | (14,382,893) |
| Decrease in: | |
| Work in Progress | (3,774,264) |
| Balance, June 30, 2018, Audited Financial Statement | $ 144,980,309 |
| | |
| FORM DEBT | |
| Total Liabilities, June 30, 2018, Unaudited Actuals | $ 113,598,815 |
| Increase in: | |
| Bond premium net of amortization | 5,292,580 |
| Net Pension Liability | 93,538,228 |
| Net OPEB Liability | 3,867,915 |
| Other long term debt | 1,386,678 |
| Accreted interest | 15,019,911 |
| Decrease in: | |
| Certificates of Participation | (917,068) |
| General obligation bonds | (3,467,398) |
| Total Liabilities, June 30, 2018, Audited Financial Statements | $ 228,319,661 |

*See accompanying note to supplementary information.*

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

| | (Budget) 2019 [1] | 2018 | (As Restated) 2017 | 2016 |
|---|---|---|---|---|
| GENERAL FUND | | | | |
| Revenues | $ 98,264,774 | $ 97,679,113 | $ 95,599,676 | $ 93,303,756 |
| Other sources and transfers in | - | - | - | - |
| Total Revenues | 98,264,774 | 97,679,113 | 95,599,676 | 93,303,756 |
| Expenditures | 96,139,625 | 92,917,695 | 90,768,237 | 88,182,795 |
| Other uses and transfers out | 4,075,745 | 2,149,510 | 1,922,025 | 1,917,630 |
| Total Expenditures and Other Uses | 100,215,370 | 95,067,205 | 92,690,262 | 90,100,425 |
| INCREASE (DECREASE) IN FUND BALANCE | $ (1,950,596) | $ 2,611,908 | $ 2,909,414 | $ 3,203,331 |
| ENDING FUND BALANCE | $ 25,086,661 | $ 27,037,257 | $ 24,425,349 | $ 21,515,935 |
| AVAILABLE RESERVES [2] | $ 14,330,561 | $ 15,772,782 | $ 14,233,829 | $ 13,605,320 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO | 14.30% | 16.59% | 15.36% | 15.10% |
| LONG-TERM OBLIGATIONS | $222,822,496 | $228,319,661 | $223,309,861 | $219,010,166 |
| K-12 AVERAGE DAILY | | | | |
| District ADA at P-2 | 8,578 | 8,609 | 8,694 | 8,737 |
| Charter ADA at P-2 | 353 | 353 | 311 | 180 |
| ATTENDANCE AT P-2 | 8,931 | 8,962 | 9,005 | 8,917 |

The General Fund balance has increased by $5,521,322 over the past two years. The fiscal year 2018-2019 budget projects a budget decrease of $1,950,596. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

Total long-term obligations have increased by $9,309,495 over the past two years.

Average daily attendance has increased by 45 over the past two years. An increase of 31 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

*See accompanying note to supplementary information.*

# LINCOLN UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS
## FOR THE YEAR ENDED JUNE 30, 2018

| Name of Charter School | Included in Audit Report |
|---|---|
| John McCandless Charter School | Yes |

*See accompanying note to supplementary information.*

## LINCOLN UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING BALANCE SHEET
## JUNE 30, 2018

| | Charter Fund | Child Development Fund | Cafeteria Fund | Building Fund |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments | $ 325,084 | $ 647,367 | $ 170,596 | $ 3,132,695 |
| Receivables | 136,143 | 361,069 | 491,238 | 13,581 |
| Due from other funds | 520,566 | - | 14,781 | - |
| Prepaid expenses | - | - | - | - |
| Stores inventories | - | - | 150,623 | - |
| **Total Assets** | 981,793 | 1,008,436 | 827,238 | 3,146,276 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | 152,296 | 51,804 | 85,255 | 118,968 |
| Due to other funds | 403,538 | 121,826 | 211,877 | - |
| Unearned Revenue | - | 41,109 | - | - |
| **Total Liabilities** | 555,834 | 214,739 | 297,132 | 118,968 |
| **Fund Balances:** | | | | |
| Nonspendable | - | - | 150,623 | - |
| Restricted | 67,824 | 793,697 | 379,483 | 3,027,308 |
| Committed | - | - | - | |
| Assigned | 358,135 | - | - | - |
| **Total Fund Balance** | 425,959 | 793,697 | 530,106 | 3,027,308 |
| **Total Liabilities and Fund Balances** | $ 981,793 | $ 1,008,436 | $ 827,238 | $ 3,146,276 |

*See accompanying note to supplementary information.*

| | Capital Facilities Fund | County School Facilities Fund | Special Reserve for Capital Outlay Projects Fund | Bond Interest and Redemption Fund | Debt Service Fund For Blended Component Unit | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|
| | $ 159,669 | $ 50,524 | $ 7,394,293 | $ 4,974,906 | $ 1,346,131 | $ 18,201,265 |
| | 686 | 208 | 35,604 | - | 560 | 1,039,089 |
| | 33,305 | - | - | - | - | 568,652 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | 150,623 |
| | 193,660 | 50,732 | 7,429,897 | 4,974,906 | 1,346,691 | 19,959,629 |
| | | | | | | |
| | - | - | 966,233 | - | - | 1,374,556 |
| | - | - | - | - | - | 737,241 |
| | - | - | - | - | - | 41,109 |
| | - | - | 966,233 | - | - | 2,152,906 |
| | | | | | | |
| | - | - | - | - | - | 150,623 |
| | 193,660 | 50,732 | 6,463,664 | 4,974,906 | 1,346,691 | 17,297,965 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | 358,135 |
| | 193,660 | 50,732 | 6,463,664 | 4,974,906 | 1,346,691 | 17,806,723 |
| | | | | | | |
| | $ 193,660 | $ 50,732 | $ 7,429,897 | $ 4,974,906 | $ 1,346,691 | $ 19,959,629 |

## LINCOLN UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2018

| | Charter Fund | Child Development Fund | Cafeteria Fund | Building Fund |
|---|---|---|---|---|
| **REVENUES** | | | | |
| LCFF sources | $ 2,914,584 | $ - | $ - | $ - |
| Federal sources | - | 4,178 | 3,442,406 | - |
| Other State sources | 331,225 | 1,012,998 | 247,565 | - |
| Other local sources | 42,028 | 1,346,470 | 503,637 | 50,583 |
| **Total Revenues** | 3,287,837 | 2,363,646 | 4,193,608 | 50,583 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Instruction | 1,702,999 | 1,694,249 | - | - |
| Instruction-related activities: | | | | |
| Supervision of Instruction | 171 | 281,107 | - | - |
| Instructional library, media and Tech | 52,837 | - | - | - |
| School site administration | 366,201 | 129,098 | - | - |
| Pupil services: | | | | |
| Food services | - | - | 4,268,523 | - |
| General administration | | | | |
| All other general administration | 401,825 | 113,243 | 211,877 | - |
| Plant services | 102,477 | - | 10,865 | - |
| Facilities acquisition and construction | 959,289 | 35,700 | - | 1,346,974 |
| Enterprise services | - | - | - | - |
| Other Outgo | - | - | - | - |
| Debt Service | | | | |
| Principal | - | - | - | - |
| Interest and other | - | - | - | - |
| **Total Expenditures** | 3,585,799 | 2,253,397 | 4,491,265 | 1,346,974 |
| **Excess (Deficiency) of Revenues Over Expenditures** | (297,962) | 110,249 | (297,657) | (1,296,391) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 71,887 | - | 14,781 | - |
| Other Sources | - | - | - | - |
| **Net Financing Sources (Uses)** | 71,887 | - | 14,781 | - |
| **NET CHANGE IN FUND BALANCES** | (226,075) | 110,249 | (282,876) | (1,296,391) |
| **Fund Balance - Beginning** | 652,034 | 683,448 | 812,982 | 4,323,699 |
| **Fund Balance - Ending** | $ 425,959 | $ 793,697 | $ 530,106 | $ 3,027,308 |

*See accompanying note to supplementary information.*

| Capital Facilities Fund | County School Facilities Fund | Special Reserve for Capital Outlay Projects Fund | Bond Interest and Redeption Fund | Debt Service Fund For Blended Component Unit | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 2,914,584 |
| - | - | - | 157,406 | - | 3,603,990 |
| - | - | - | 53,312 | - | 1,645,100 |
| - | 694 | 5,786,893 | 5,341,008 | 3,443,051 | 16,514,364 |
| - | 694 | 5,786,893 | 5,551,726 | 3,443,051 | 24,678,038 |
| | | | | | |
| - | - | - | - | - | 3,397,248 |
| | | | | | |
| - | - | - | - | - | 281,278 |
| - | - | - | - | - | 52,837 |
| - | - | - | - | - | 495,299 |
| | | | | | |
| - | - | - | - | - | 4,268,523 |
| | | | | | |
| - | - | - | - | - | 726,945 |
| - | - | - | - | - | 113,342 |
| 500 | - | 3,747,899 | - | - | 6,090,362 |
| - | - | - | - | - | - |
| 13,978 | - | - | - | - | 13,978 |
| | | | | | |
| - | - | - | 8,967,873 | 6,170,000 | 15,137,873 |
| - | - | - | 3,156,520 | 948,122 | 4,104,642 |
| 14,478 | - | 3,747,899 | 12,124,393 | 7,118,122 | 34,682,327 |
| | | | | | |
| (14,478) | 694 | 2,038,994 | (6,572,667) | (3,675,071) | (10,004,289) |
| | | | | | |
| - | - | - | - | 250,000 | 336,668 |
| - | - | - | 6,636,000 | - | 6,636,000 |
| - | - | - | 6,636,000 | 250,000 | 6,972,668 |
| (14,478) | 694 | 2,038,994 | 63,333 | (3,425,071) | (3,031,621) |
| 208,138 | 50,038 | 4,424,670 | 4,911,573 | 4,771,762 | 20,838,344 |
| $ 193,660 | $ 50,732 | $ 6,463,664 | $ 4,974,906 | $ 1,346,691 | $ 17,806,723 |

## NOTE 1 – PURPOSES OF SCHEDULES

### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of Federal Interest Subsidies.

| Description | CFDA Number | Amount |
|---|---|---|
| Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances: | | $ 8,032,205 |
| Medi-Cal Billing Option | 93.778 | 7,171 |
| Federal Interest subsidy on Qualified School Construction Bonds | N/A | (157,406) |
| Total Schedule of Expenditures of Federal Awards | | $ 7,881,970 |

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

Sub-recipients – The District did not provide federal awards to sub-recipients during the year ended June 30, 2018.

### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

### Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

## Schedule of Instructional Time and Schedule of Instructional Time – Charter School

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

The District neither met nor exceeded its targeted funding.

Districts must maintain their instructional minutes at the 1986-87 requirement as required by *Education Code* Section 46201.

## Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

## Schedule of Financial Trends and Analysis

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

## Schedule of Charter Schools

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

## Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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## *IV - Independent Auditors' Reports*

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**Cichella & Tokunaga, LLP**
**Certified Public Accountants**

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

Governing Board
Lincoln Unified School District
Stockton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lincoln Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2018.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lincoln 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln 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 District'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.

**Compliance and Other Matters**

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

**Purpose of This Report**

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

Cichella + Tokunaga LLP

El Dorado Hills, California
December 5, 2018

# Cichella & Tokunaga, LLP
**Certified Public Accountants**

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

Governing Board
Lincoln Unified School District
Stockton, California

**Report on Compliance for Each Major Federal Program**

We have audited Lincoln 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 Lincoln Unified School District's (the District) major Federal programs for the year ended June 30, 2018. Lincoln 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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Lincoln 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 the Lincoln 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 Lincoln Unified School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Lincoln 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.

**Report on Internal Control Over Compliance**

Management of the Lincoln 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 the Lincoln 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lincoln 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 Horwath LLP

El Dorado Hills, California
December 5, 2018

Cichella & Tokunaga, LLP
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**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board
Lincoln Unified School District
Stockton, California

**Report on State Compliance**

We have audited Lincoln Unified School District's compliance with the types of compliance requirements as described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Lincoln Unified School District's programs as identified in the below schedule for the year ended June 30, 2018.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Lincoln Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about Lincoln 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. However, our audit does not provide a legal determination on the District’s compliance with those requirements.

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

| Compliance Requirements | Procedures Performed |
|---|---|
| **LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS** | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | No, See Below |
| Continuation Education | Yes |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| GANN Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| **SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION AND CHARTER SCHOOLS** | |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| **CHARTER SCHOOLS** | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Non-classroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Non-classroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes – Classroom Based | Yes |
| Charter School Facilities Grant Program | Not Applicable |

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

**Opinion on State Compliance**

In our opinion, Lincoln 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 the programs identified in the above schedule for the year ended June 30, 2018

Cichella + Tokunaga LLP

El Dorado Hills, California
December 5, 2018

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## *V - Schedule of Findings and Questioned Costs*

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## SUMMARY OF AUDITORS' RESULTS
## FOR THE YEAR ENDED JUNE 30, 2018

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major federal programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major federal programs | |

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 10.555, 10.559 | Child Nutrition Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**STATE AWARDS**

| | |
|---|---|
| Internal control over state programs: | |
| Material weaknesses identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies? | No |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

## FINANCIAL STATEMENT FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2018

None reported.

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings and questioned costs related to the federal awards for the year ended June 30, 2018.

## STATE AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2018

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

**LINCOLN UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**FOR THE YEAR ENDED JUNE 30, 2018**

There were no prior year findings reported for June 30, 2017.