

CENTRAL UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

CENTRAL UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Central Unified School District
Fresno, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Unified School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The implementation of GASB Statement No. 75 resulted in a cumulative adjustment to the District's July 1, 2017 government-wide net position by \$16,489,634 because of the recognition of the total OPEB liability. Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 17, the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 67 to 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

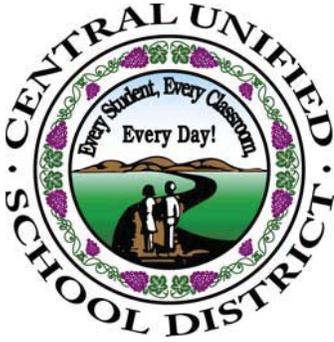
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of Central Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Unified School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
December 12, 2018



CENTRAL UNIFIED SCHOOL DISTRICT
4605 North Polk Avenue · Fresno, CA 93722
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BOARD OF TRUSTEES

Richard Atkins
Yesenia Z. Carrillo
Phillip Cervantes
Naindeep Singh Chann
Terry Cox
Jason R. Paul
Richard A. Solis

SUPERINTENDENT
Andrew G. Alvarado

This section of Central Unified School District's (District) annual financial report represents the Fiscal Services Management discussion and analysis of the District's financial performance during the fiscal year (FY) 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 *Government-Wide Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec) N50 118-121.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

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

The *Business-Type 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.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in them. Net position are the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources, 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 Board's responsibility is to provide services to our students and not to generate a 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 separate the District 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, 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.

Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's after school services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Assets and Liabilities*. 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 the intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District’s governmental activities net position was \$11.1 million for the fiscal year ended June 30, 2018, and \$26.4 million for the fiscal year ended June 30, 2017; a decrease of \$15.3 million. Of the government-wide total net position at June 30, 2018, (\$121.1) million was unrestricted, \$20.0 million was restricted and \$112.2 million was the net investment in capital assets. The negative \$121.1 million unrestricted net position from governmental activities represents the accumulated results of all past years’ operations and is also inclusive of the total OPEB liability and net pension liability and related deferred inflows and outflows of resources for CalSTRS and CalPERS. At June 30, 2018, the District’s total OPEB liability and net pension liability was \$34.0 million and \$158.6 million, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board’s ability to use those net position for day to day operations. Our analysis below focuses on the net position (Table 1) and change in the net position (Table 2) of the District’s activities for the past two fiscal years.

TABLE 1

Net Position	Governmental Activities		Business-Type Activities		Total School District		Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 82,233,188	\$ 98,690,281	\$ 622,693	\$ 655,137	\$ 82,855,881	\$ 99,345,418	-17%
Capital assets	254,673,307	236,679,670			\$254,673,307	\$236,679,670	8%
Total Assets	336,906,495	335,369,951	622,693	655,137	\$337,529,188	\$336,025,088	0%
Deferred Outflows of Resources	57,717,467	37,161,218	130,000	147,114	\$57,847,467	\$37,308,332	55%
Current liabilities	15,456,703	14,563,374	15,977	15,314	\$15,472,680	\$14,578,688	6%
Long-term liabilities	362,209,079	325,997,374	552,000	478,858	\$362,761,079	\$326,476,232	11%
Total Liabilities	377,665,782	340,560,748	567,977	494,172	\$378,233,759	\$341,054,920	11%
Deferred Inflows of Resources	5,876,698	5,573,808	22,302	23,192	\$5,899,000	\$5,597,000	
Net investments in capital assets	112,173,177	104,652,370			\$112,173,177	\$104,652,370	7%
Restricted	19,983,870	10,100,856			\$19,983,870	\$10,100,856	98%
Unrestricted	(121,075,565)	(88,356,614)	162,414	284,887	(\$120,913,151)	(\$88,071,727)	37%
Total Net Position	\$ 11,081,482	\$ 26,396,612	\$ 162,414	\$ 284,887	\$ 11,243,896	\$ 26,681,499	-58%

Unrestricted net position of governmental activities represent the *accumulated* results of all past years’ operations.

Changes in Net Position

The results of this year’s operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years, along with the variance between the two fiscal years.

Governmental Activities

As reported in the Statement of Activities, the cost of all District governmental activities for FY 2017-2018 was \$223.6 million as compared to \$205.0 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$26.7 million the remaining costs were covered by those who benefited from the programs (\$25.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$35.8 million). The District paid for the remaining “public benefit” portion of our governmental activities with \$131.4 million in State and Federal funds and with \$5.7 million in other revenues, like interest and general entitlements.

Business Type Activities

As reported in the Statement of Activities, the cost of the District business type activities for FY 2017-2018 was \$713,727 as compared to \$648,105 in the prior year, which is an increase of \$65,622.

TABLE 2

Statement of Activities	Governmental Activities		Business-Type Activities		Total School District		Change
	2018	2017	2018	2017	2018	2017	
Program Revenues							
Charges for Services	\$ 25,120,631	\$ 23,133,039	\$ 42,274	\$ 34,953	\$ 25,162,905	\$ 23,167,992	9%
Operating Grants & Contributions	34,334,247	33,167,777	548,368	579,238	34,882,615	33,747,015	3%
Capital Grants and Contributions	1,502,290						
General Revenues							
Taxes and Subventions	26,684,306	22,589,865			26,684,306	22,589,865	18%
Federal and State Aid, Unrestricted	131,410,797	127,923,066			131,410,797	127,923,066	3%
Interagency Revenues	-	5,200			0	5,200	-100%
Interest and Investment Earnings	73,697	573,816	(392)	4,069	73,305	577,885	-87%
Special and extraordinary items							0%
Internal Transfers	(1,004)		1,004		0	0	0%
Other General Revenues	5,670,018	3,768,835			5,670,018	3,768,835	50%
Enterprise Activities							
Total Revenues	224,794,982	211,161,598	591,254	618,260	225,386,236.00	211,779,858.00	6%
Expenses							
Instructional Related	128,693,845	118,542,646			128,693,845	118,542,646	9%
Student Support Services	30,096,326	27,080,824			30,096,326	27,080,824	11%
General Administrative	9,881,929	9,251,919			9,881,929	9,251,919	7%
Maintenance and Operations	19,942,144	18,453,156			19,942,144	18,453,156	8%
Other	34,956,913	31,664,766			34,956,913	31,664,766	10%
Enterprise Activities	49,321	24,073	713,727	648,105	763,048	672,178	14%
Total Expenses	\$223,620,478	\$205,017,384	\$713,727	\$648,105	\$224,334,205	\$205,665,489	9%
Change in Net Position	\$1,174,504	\$6,144,214	(\$122,473)	(\$29,845)	\$1,052,031	\$6,114,369	-83%

THE DISTRICT'S FUNDS

As the District completed FY 2017-2018, governmental funds reported a combined fund balance of \$68.2 million as compared to \$85.8 million in the prior year, which is a decrease of \$17.7 million.

TABLE 3
Comparative Schedule of Fund Balances

	Fund Balance			
	June 30, 2018	June 30, 2017	\$ Change	% Change
General Fund	\$37,165,604	\$39,382,160	(\$2,216,556)	-5.63%
Building Fund	\$14,843,448	\$30,054,081	(\$15,210,633)	-50.61%
Capital Facilities Fund	\$2,061,409	\$3,594,136	(\$1,532,727)	-42.65%
All Non-Major Funds	\$14,121,036	\$12,830,308	\$1,290,728	10.06%
Totals	<u>\$68,191,497</u>	<u>\$85,860,685</u>	<u>(\$17,669,188)</u>	<u>-20.58%</u>

As can be seen in the scheduled fund balances (Table 3), the \$68.2 million total fund balance includes the General Fund of \$37.2 million, Building Fund of \$14.8 million, Capital Facilities Fund of \$2.1 million and All Non-Major Funds, which includes: the Adult Education, Cafeteria, Child Development, Cafeteria, Deferred Maintenance, County School Facilities, Bond Redemption Fund and Self Insurance Funds, of \$14.1 million. The General Fund has historically had a fund balance in excess of the state required reserve of 3%. The \$2.2 million decrease was due to the transfer of funds to Fund 40, Special Reserve Fund for Capital Outlay Projects, to be used for the construction of the new high school.

The Building fund decrease of \$15.2 million was due to the ongoing facility projects, with the majority of the cost spent on the permanent school for Hanh Phan Tilley elementary.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in September 2018. (A schedule showing the District's original and final budget amounts, compared with accounts actually paid and received, is provided in our annual report on page 67).

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$236.7 million (net) in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation. At June 30, 2018, net fixed assets totaled \$254.7 million. This amount represents a net increase (including additions, deductions and depreciation) of approximately \$18 million from last year. The primary increase was due to the construction of the permanent elementary school, Hanh Phan Tilley, purchase of the Chromebooks, and the additional portables.

TABLE 4
Governmental Activities,
Capital Assets

	2018	2017	\$ Change	% Change
Land	\$18,816,534	\$18,816,534	-	0.00%
Work-in-process	\$38,920,467	\$20,993,626	\$17,926,841	85.39%
Land improvements	\$44,017,407	\$41,647,037	\$2,370,370	5.69%
Buildings	\$224,047,069	\$220,443,410	\$3,603,659	1.63%
Equipment	\$39,171,089	\$35,345,017	\$3,826,072	10.82%
Capital Assets, cost	\$364,972,566	\$337,245,624	\$27,726,942	103.54%
Accumulated Depreciation	(\$110,299,259)	(\$100,565,955)	(\$9,733,304)	9.68%
Governmental Activities Capital Assets, net	\$254,673,307	\$236,679,669	\$17,993,638	7.60%

Long-Term Obligations

At the end of this year, the District had \$362.2 million in long-term obligations outstanding versus \$326.0 million last year, an increase of approximately \$36.2 million.

TABLE 5
Summary of Long-Term Liabilities

	2018	2017 as restated	\$ Change	% Change
General Obligation Bonds	\$127,545,336	\$130,520,289	-\$2,974,953	-2.28%
Accreted Interest	\$5,048,596	\$5,025,896	\$22,700	0.45%
Certificates of Participation	\$18,006,528	\$20,901,002	-\$2,894,474	-13.85%
Capitalized Lease Obligations	\$3,554,013	\$4,386,404	-\$832,391	-18.98%
Total OPEB Obligations	\$33,987,937	\$16,180,268	\$17,807,669	110.06%
QZABs	\$14,999,368	\$15,915,588	-\$916,220	-5.76%
Compensated Absences	\$489,301	\$673,785	-\$184,484	-27.38%
Net Pension Liability	\$158,578,000	\$132,394,142	\$26,183,858	19.78%
Total Long-Term Liabilities	\$362,209,079	\$325,997,374	\$36,211,705	11.11%

The change in long-term debt was due mainly to the net increase in net pension liability of \$26.2 million, and net OPEB Obligation of \$17.8 million (implementation of the GASB Statement No. 75). These increases were offset by the decrease in general obligation bonds of \$3.0 million, certificates of participation of \$2.9 million, and lease payments of \$1.7 million.

We present more detailed information regarding our long-term liabilities in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

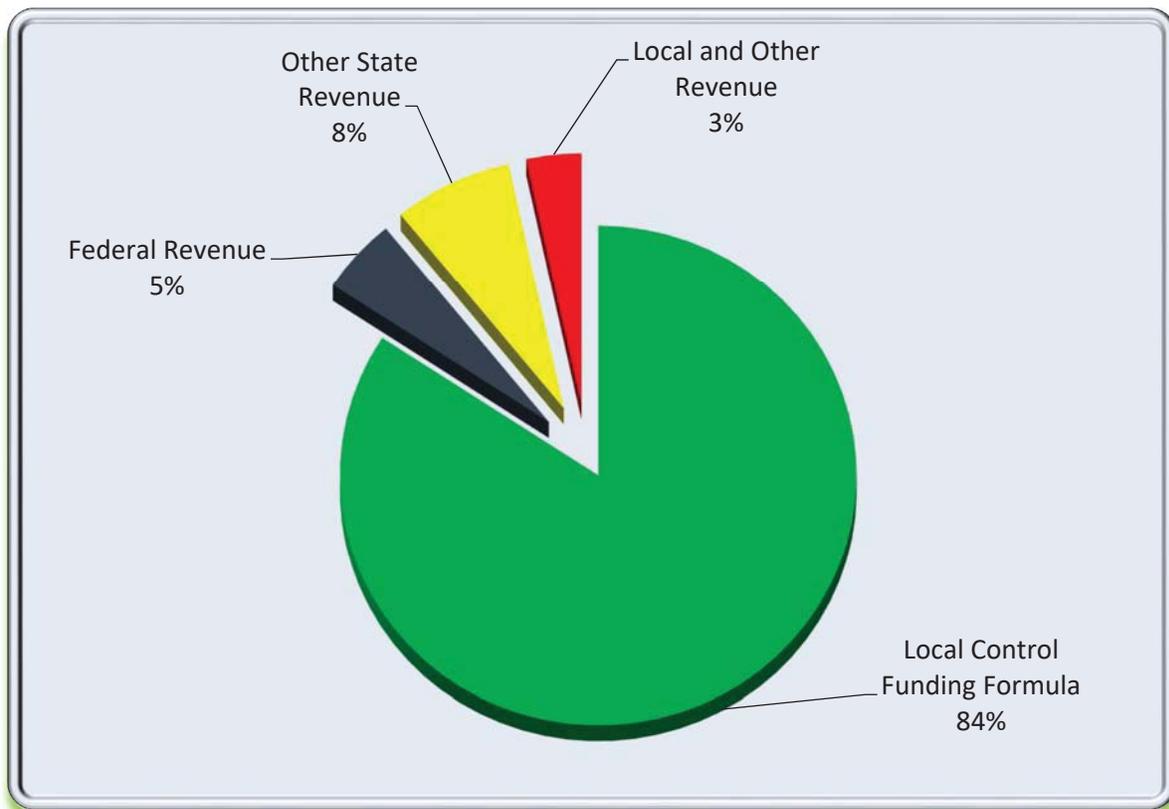
In considering the District Budget for the 2018-2019 year, the Governing Board and management used the following criteria:

2018-19 ADOPTED BUDGET ASSUMPTIONS

The 2018-19 Adopted Budget has been compiled using the latest information from School Services of California (SSC) and Fiscal Crisis & Management Assistance Team (FCMAT) Local Control Funding Formula (LCFF) calculator. School district budgets are not static documents and must be revised as often as necessary in order to respond to the changing politics at the State and Federal level, as well as to the changing goals and needs of the District. In order to project the budget, a series of assumptions are determined and inserted into State and District formulas. The budget assumptions are updated with a revision 45 days after the adoption of the state budget and with two interim reports. The 2018-19 Adopted Budget is based on the following assumptions, as appropriate with conservative estimates for both revenues and expenditures:

GENERAL FUND REVENUES

General Fund revenue is estimated at \$185.7 million which is generated from Local Control Funding Formula (LCFF), Federal Revenue, Other State Revenue, Local and Other Revenue and Other Sources. The single largest source of income is LCFF. The LCFF revenue is calculated by the District's Average Daily Attendance (ADA) multiplied by a base amount per grade level (K-3, 4-6, 7-8 and 9-12), a base adjustment add-on multiplied by the District's ADA for class reduction (K-3) and Career Technical Education (9-12) and additional funding based on the demographics for English Learners, Foster Youth and Low Income. The LCFF revenue comes from two sources: State Aid and Local Property tax.



LCFF Revenue

- LCFF Revenue Cost of Living Adjustment (COLA) 2.71%
- Projected District regular ADA of 15,373.85, which is approximately 95% of our demographic study of enrollment of 16,183
- Projected County Operated ADA of 124.79
- Total combined projected ADA of 15,489.64
- LCFF calculation was determined using the FCMAT LCFF calculator assumptions, Demographic study, prior year second period (P2) Property Tax and P2 attendance reporting

Federal Revenues

- Projections based on prior year entitlements
- Increase Special Education estimated revenue
- Carryover and deferred revenues are not budgeted

Lottery Revenues – (State and Federal)

- Projected on estimated funding of \$146.00 per prior year ADA for unrestricted and \$48 for restricted lottery funding (Prop. 20). This is based on the California Department of Education projections.
- Restricted Lottery funds are allocated for instructional materials

Mandated Costs- (State)

- Mandated Block Grant revenue is funded using 2017-18 P2 Average Daily Attendance (ADA) at the rate of \$30.34/ADA for K-8 and \$58.25/ADA for 9-12
- One time discretionary funds estimated at \$344 per 2017-18 P2 ADA

Other State Revenues

- Projections based on prior year entitlements, apportionments, and grant award letters
- Carryover and deferred revenues are not budgeted
- Eliminated one time/expired grants

Local and Other Revenues

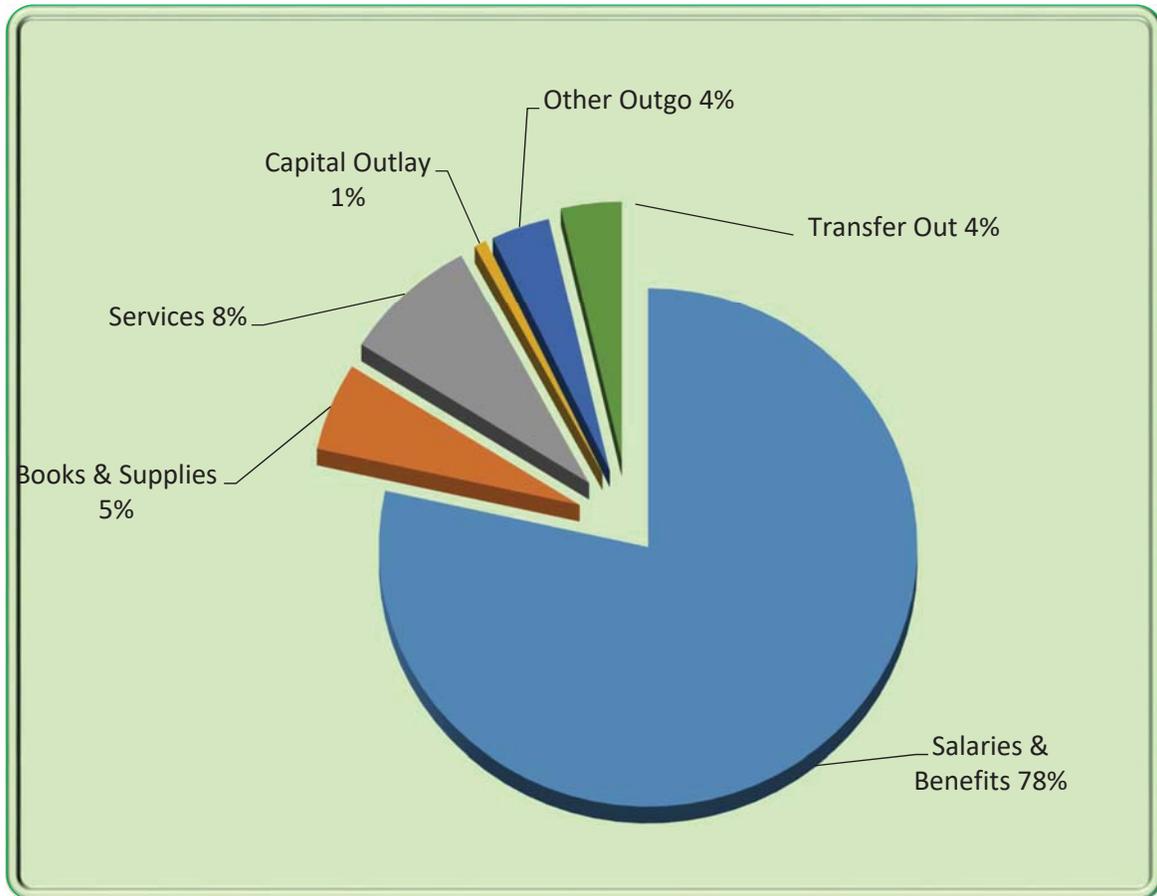
- Local grant awards – Regional Occupational Program (ROP), After School Program (ASP) California SUMS initiative grant, Aquatics, Co-Curricular Athletics
- Carryover revenues are not budgeted
- Eliminated one time/expired local grants and awards – Bus grants, PBIS, Kaiser grants, State water resource bottle water grant, Dual enrollment

GENERAL FUND EXPENDITURES

The District's general fund total expenditures are estimated at \$183.1 million dollars. Restricted expenditures are estimated at \$38.4 million and unrestricted at \$144.7 million.

The vast majority of District money goes to direct services for children.

Unrestricted/Restricted



Certificated and Classified Salaries

- Salaries adjusted for step and column
- Added additional positions

Employee Benefits

- Benefit rates reflect current available rates at the time the budget was prepared, STRS 1.85% increase, PERS 2% increase, State Unemployment had no change, Workers Compensation is estimated and estimated Health Insurance annual increase to be \$1,205.58 per FTE. The rates used for benefits are as follows:

○ STRS	.1628
○ PERS	.18062
○ Social Security	.062
○ Medicare	.0145
○ Alt Retire	.0375
○ Health/Welfare	\$15,489.12/employee/year estimate
○ SUI	.0005
○ Workers Comp	.01718 estimate

Books, Supplies and Other Materials

- No adjustment was made to unrestricted instructional material textbook adoption and supplemental materials
- Adjustments to restricted expenditures due to the removal of carryover, deferred revenue and one-time funding

Services/Other Operating Expenses

- Decrease to general funded deferred maintenance projects
- Decrease for termination of district wide data plans
- Outside Contracts and Service agreements adjusted to reflect current year agreements
- Increase contract for Police and CenCal mentoring
- Adjustments to restricted expenditures due to the removal of carryover, deferred revenue and one-time funding

Capital Outlay

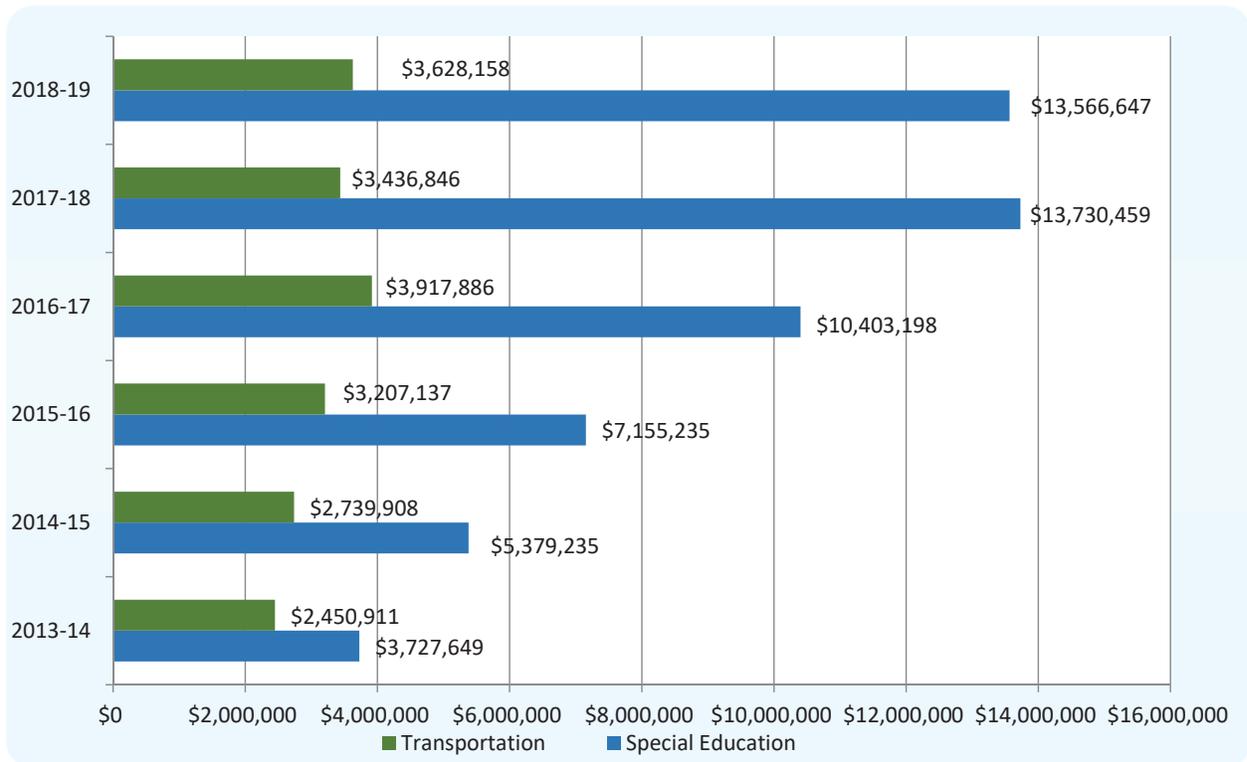
- Decrease to general funded deferred maintenance projects
- Decrease for one-time purchase: chrome books, buses, vehicles
- Adjustments to restricted expenditures due to the removal of carryover, deferred revenue and one-time funding

Other Outgo/Transfer Out

- Adjustments made to reflect the current year Certificate of Participation (COP) and Quality Zone Academy Bonds (QZAB) debt payments, and lease payments
- Indirect cost rate decrease and adjustments made accordingly
- Increase the transfer to Fund 40 (Special Reserve fund for Capital Outlay projects) to reflect the estimated one time funds
- Increase the transfer to Fund 14 (Deferred Maintenance)

GENERAL FUND CONTRIBUTIONS

The District’s General Fund contributes additional funds to successfully operate programs that the State does not adequately fund. The District continues to contribute to our Special Education and Transportation programs.



RESERVE FOR ECONOMIC UNCERTAINTIES

The District’s Reserve for Economic Uncertainties meets the State minimum requirement of 3%. Additional 2% set aside for Reserve in Other Designation to maintain a 5% reserve, per Board Policy (BP3100). The average total reserve percentage for unified school districts is 16.64% as of 2016-17 data (School Services of California, Inc.).

RETIREMENT PACKAGE

Nothing has changed to the District's Retirement Policy.

GENERAL FUND MULTI-YEAR PROJECTIONS

Revenues for the multi-year projections follow the 2018-19 SSC's recommendations and the FCMAT LCFF calculator. Changes in the LCFF revenue represent projected changes in ADA and projected COLAs.

Expenditures have been adjusted to reflect any necessary reductions or increases to maintain the districts goals and the required reserve. Multi-year projections are aligned with current law and will be updated as additional information becomes available.

OTHER FUNDS

Other funds include Adult Education (C.L.A.S.S. - Central Learning Adult School Site), Child Development – State Pre-School, Child Nutrition, Deferred Maintenance, Building - Measure B and C, Capital Facilities – Developer Fees, County School Facilities – State match, Special Reserve Fund for Capital Outlay Projects, Bond Interest and Redemption, Enterprise Fund – Campus Connection and Fee Based Pre-School and Self-Insurance.

These funds have an estimated accumulative total beginning balance of \$14.2 million with estimated revenue of \$54.0 million and expenditures of \$51.8 million.

Fund#	Description	2018-19 Est. Beginning Balance	2018-19 Estimated Revenue	2018-19 Estimated Expenditures	2018-19 Ending Balance
11	Adult Education	\$ 397,656	\$ 1,318,571	\$ 1,186,252	\$ 529,975
12	Child Development	\$ 146,943	\$ 907,105	\$ 906,305	\$ 147,743
13	Child Nutrition	\$ 1,859,966	\$ 8,991,413	\$ 9,741,832	\$ 1,109,548
14	Deferred Maintenance	\$ -	\$ 1,513,000	\$ 513,000	\$ 1,000,000
21	Building Fund	\$ 1,563,433	\$ 146,500	\$ 1,709,933	\$ -
25	Capital Facilities Fund	\$ 1,412,388	\$ 2,020,000	\$ 3,132,098	\$ 300,290
35	County School Facilities	\$ 80,510	\$ 500	\$ 81,010	\$ -
40	Special Reserve Fund for Capital Outlay Projects	\$ 2,209,124	\$ 5,173,161	\$ -	\$ 7,382,285
51	Bond Fund	\$ 6,236,861	\$ 6,957,000	\$ 8,714,014	\$ 4,479,848
63	Other Enterprise Fund	\$ 149,090	\$ 559,201	\$ 707,828	\$ 464
67	Self Insurance Fund	\$ 107,589	\$ 26,451,602	\$ 25,136,000	\$ 1,423,191
	TOTAL	\$ 14,163,560	\$ 54,038,054	\$ 51,828,270	\$ 16,373,344

Please do not hesitate to contact Yolanda Balladares, Director of Fiscal Services at 559-274-4700, x63106 should you have questions, concerns or ideas.

BASIC FINANCIAL STATEMENTS

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 73,957,445	\$ 653,347	\$ 74,610,792
Receivables	8,155,588	3,004	8,158,592
Internal balances (Note 3)	33,658	(33,658)	-
Stores inventory	86,497	-	86,497
Non-depreciable capital assets (Note 4)	57,737,001	-	57,737,001
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>196,936,306</u>	<u>-</u>	<u>196,936,306</u>
Total assets	<u>336,906,495</u>	<u>622,693</u>	<u>337,529,188</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - refunding of debt (Note 6)	6,761,667	-	6,761,667
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>50,955,800</u>	<u>130,000</u>	<u>51,085,800</u>
Total deferred outflows of resources	<u>57,717,467</u>	<u>130,000</u>	<u>57,847,467</u>
LIABILITIES			
Accounts payable and other current liabilities	12,230,311	15,977	12,246,288
Unearned revenue	1,090,615	-	1,090,615
Self-Insurance claims liability (Note 5)	2,135,777	-	2,135,777
Long-term liabilities (Note 6):			
Due within one year	9,664,728	-	9,664,728
Due after one year	<u>352,544,351</u>	<u>552,000</u>	<u>353,096,351</u>
Total liabilities	<u>377,665,782</u>	<u>567,977</u>	<u>378,233,759</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>5,876,698</u>	<u>22,302</u>	<u>5,899,000</u>
NET POSITION			
Net investment in capital assets	112,173,177	-	112,173,177
Restricted:			
Legally restricted programs	7,968,302	-	7,968,302
Capital projects	5,259,927	-	5,259,927
Debt service	6,398,191	-	6,398,191
Self Insurance	357,450	-	357,450
Unrestricted	<u>(121,075,565)</u>	<u>162,414</u>	<u>(120,913,151)</u>
Total net position	<u>\$ 11,081,482</u>	<u>\$ 162,414</u>	<u>\$ 11,243,896</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 110,212,080	\$ 243,345	\$ 18,318,851	\$ 1,502,290	\$ (90,147,594)	\$ -	\$ (90,147,594)
Instruction-related services:							
Supervision of instruction	6,295,528	14,070	2,544,549	-	(3,736,909)	-	(3,736,909)
Instructional library, media and technology	1,826,702	-	64,196	-	(1,762,506)	-	(1,762,506)
School site administration	10,359,535	18,022	918,091	-	(9,423,422)	-	(9,423,422)
Pupil services:							
Home-to-school transportation	6,588,105	2,396	21,424	-	(6,564,285)	-	(6,564,285)
Food services	9,094,407	595,988	7,253,854	-	(1,244,565)	-	(1,244,565)
All other pupil services	14,413,814	284	2,156,633	-	(12,256,897)	-	(12,256,897)
General administration:							
Centralized data processing	1,939,294	42	88	-	(1,939,164)	-	(1,939,164)
All other general administration	7,942,635	34,316	1,297,834	-	(6,610,485)	-	(6,610,485)
Plant services	19,942,144	12,047	115,045	-	(19,815,052)	-	(19,815,052)
Ancillary services	26,754,977	23,952,280	99,183	-	(2,703,514)	-	(2,703,514)
Community services	416,609	31,961	66,362	-	(318,286)	-	(318,286)
Enterprise activities	49,321	-	13	-	(49,308)	-	(49,308)
Interest on long-term liabilities	5,838,002	-	-	-	(5,838,002)	-	(5,838,002)
Other outgo	1,947,325	215,880	1,478,124	-	(253,321)	-	(253,321)
Total governmental activities	<u>\$ 223,620,478</u>	<u>\$ 25,120,631</u>	<u>\$ 34,334,247</u>	<u>\$ 1,502,290</u>	<u>(162,663,310)</u>	<u>-</u>	<u>(162,663,310)</u>
Business-type activities:							
Enterprise activities	713,727	42,274	548,368	-	-	(123,085)	(123,085)
Total governmental and business-type activities	<u>\$ 224,334,205</u>	<u>\$ 25,162,905</u>	<u>\$ 34,882,615</u>	<u>\$ 1,502,290</u>	<u>(162,663,310)</u>	<u>(123,085)</u>	<u>(162,786,395)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					17,248,994	-	17,248,994
Taxes levied for debt service					9,417,633	-	9,417,633
Taxes levied for other specific purposes					17,679	-	17,679
Federal and state aid not restricted to specific purposes					131,410,797	-	131,410,797
Interest and investment earnings					73,697	(392)	73,305
Interagency revenues					(1,004)	1,004	-
Miscellaneous					5,670,018	-	5,670,018
Total general revenues					<u>163,837,814</u>	<u>612</u>	<u>163,838,426</u>
Change in net position					1,174,504	(122,473)	1,052,031
Net position, July 1, 2017					<u>26,396,612</u>	<u>284,887</u>	<u>26,681,499</u>
Cumulative effect of GASB 75 Implementation					(16,489,634)	-	(16,489,634)
Net position, July 1, 2017, as restated					<u>9,906,978</u>	<u>284,887</u>	<u>10,191,865</u>
Net position, June 30, 2018					<u>\$ 11,081,482</u>	<u>\$ 162,414</u>	<u>\$ 11,243,896</u>

See accompanying notes to financial statements.

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

	General Fund	Building Fund	Capital Facilities Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 39,225,039	\$ 15,993,977	\$ 3,305,815	\$ 12,744,703	\$ 71,269,534
Cash in revolving fund	25,000	-	-	-	25,000
Cash on hand and in banks	63,746	-	-	94,982	158,728
Cash with Fiscal Agent	31,079	-	-	-	31,079
Receivables	6,054,468	140,160	15,730	1,919,986	8,130,344
Due from other funds	528,834	-	1,526	61,491	591,851
Stores inventory	<u>3,720</u>	<u>-</u>	<u>-</u>	<u>82,777</u>	<u>86,497</u>
Total assets	<u>\$ 45,931,886</u>	<u>\$ 16,134,137</u>	<u>\$ 3,323,071</u>	<u>\$ 14,903,939</u>	<u>\$ 80,293,033</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,174,756	\$ 1,290,689	\$ 695,779	\$ 291,753	\$ 10,452,977
Unearned revenue	529,995	-	560,620	-	1,090,615
Due to other funds	<u>61,531</u>	<u>-</u>	<u>5,263</u>	<u>491,150</u>	<u>557,944</u>
Total liabilities	<u>8,766,282</u>	<u>1,290,689</u>	<u>1,261,662</u>	<u>782,970</u>	<u>12,101,536</u>
Fund balances:					
Nonspendable	28,720	-	-	82,777	111,497
Restricted	3,443,975	14,843,448	2,061,409	14,038,259	34,387,091
Assigned	4,000,000	-	-	-	4,000,000
Unassigned	<u>29,692,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,692,909</u>
Total fund balances	<u>37,165,604</u>	<u>14,843,448</u>	<u>2,061,409</u>	<u>14,121,036</u>	<u>68,191,497</u>
Total liabilities and fund balances	<u>\$ 45,931,886</u>	<u>\$ 16,134,137</u>	<u>\$ 3,323,071</u>	<u>\$ 14,904,006</u>	<u>\$ 80,293,033</u>

See accompanying notes to financial statements.

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

Total fund balances - Governmental Funds \$ 68,191,497

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$364,972,566 and the accumulated depreciation is \$110,299,259 (Note 4). 254,673,307

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2018 consisted of (Note 6):

General Obligation Bonds	\$ (117,994,604)	
Bond Premiums	(9,550,732)	
Accreted interest	(5,048,596)	
Capitalized lease obligations	(3,554,013)	
QZABs	(14,999,368)	
Certificates of Participation	(18,006,528)	
Total OPEB liability (Note 10)	(33,987,937)	
Net pension liability (Notes 8 and 9)	(158,578,000)	
Compensated absences	<u>(489,301)</u>	
		(362,209,079)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding debt. 6,761,667

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	\$ 50,955,800	
Deferred inflows of resources relating to pensions	<u>(5,876,698)</u>	45,079,102

Unmatured interest on long-term liabilities is recognized in the period incurred. (1,772,462)

Internal service funds are used for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities. 357,450

Total net position - governmental activities \$ 11,081,482

See accompanying notes to financial statements.

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

	General Fund	Building Fund	Capital Facilities Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 125,661,006	\$ -	\$ -	\$ -	\$ 125,661,006
Local sources	<u>17,251,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,251,141</u>
Total LCFF	<u>142,912,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,912,147</u>
Federal sources	9,102,302	-	-	7,412,718	16,515,020
Other state sources	14,041,056	-	-	3,830,458	17,871,514
Other local sources	<u>8,714,308</u>	<u>301,894</u>	<u>2,891,163</u>	<u>10,411,400</u>	<u>22,318,765</u>
Total revenues	<u>174,769,813</u>	<u>301,894</u>	<u>2,891,163</u>	<u>21,654,576</u>	<u>199,617,446</u>
Expenditures:					
Current:					
Certificated salaries	72,598,041	-	-	739,075	73,337,116
Classified salaries	22,765,889	-	165,588	3,202,713	26,134,190
Employee benefits	42,450,769	-	52,480	1,546,797	44,050,046
Books and supplies	9,373,801	-	63,075	4,988,996	14,425,872
Contract services and operating expenditures	14,963,718	79,868	189,378	688,235	15,921,199
Other outgo	1,794,601	-	165,859	-	1,960,460
Capital outlay	6,403,142	15,432,659	2,904,061	3,576,288	28,316,150
Debt service:					
Principal retirement	5,286,633	-	7,586,836	3,705,000	16,578,469
Interest	<u>610,098</u>	<u>-</u>	<u>99,843</u>	<u>4,082,571</u>	<u>4,792,512</u>
Total expenditures	<u>176,246,692</u>	<u>15,512,527</u>	<u>11,227,120</u>	<u>22,529,675</u>	<u>225,516,014</u>
Deficiency of revenues under expenditures	<u>(1,476,879)</u>	<u>(15,210,633)</u>	<u>(8,335,957)</u>	<u>(875,099)</u>	<u>(25,898,568)</u>
Other financing sources (uses):					
Transfers in	543,297	-	-	2,709,124	3,252,421
Transfers out	(2,710,128)	-	-	(543,297)	(3,253,425)
Proceeds from capital leases	1,427,154	-	693,230	-	2,120,384
Proceeds from issuance of COPS	<u>-</u>	<u>-</u>	<u>6,110,000</u>	<u>-</u>	<u>6,110,000</u>
Total other financing sources (uses)	<u>(739,677)</u>	<u>-</u>	<u>6,803,230</u>	<u>2,165,827</u>	<u>8,229,380</u>
Net change in fund balances	(2,216,556)	(15,210,633)	(1,532,727)	1,290,728	(17,669,188)
Fund balances, July 1, 2017	<u>39,382,160</u>	<u>30,054,081</u>	<u>3,594,136</u>	<u>12,830,308</u>	<u>85,860,685</u>
Fund balances, June 30, 2018	<u>\$ 37,165,604</u>	<u>\$ 14,843,448</u>	<u>\$ 2,061,409</u>	<u>\$ 14,121,036</u>	<u>\$ 68,191,497</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds	\$ (17,669,188)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 28,694,809
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(10,683,197)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the government-wide statements, only the resulting gain or loss is reported (Note 4).	(17,975)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding debt (Note 6).	(527,796)
Proceeds from issuance of Certificates of Participation (COP) are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from issuance of COP were (Note 6):	(6,110,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	16,578,469
Proceeds from capital leases are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from capital leases were (Note 6):	(2,120,384)
Accretion of interest is not recorded in the governmental funds. It increases the long-term liabilities in the statement of net position (Note 6).	(1,427,520)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	235,052
In governmental funds, premiums received on the issuance of debt are recognized as revenue. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	674,773

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9):	\$	(5,402,702)	
Activities of the internal service funds are reported with governmental activities.		83,714	
In governmental funds, OPEB costs are recognized when employer contributions are made. In statement of activities OPEB costs are recognized on the accrual basis (Notes 6 and 10).		(1,318,035)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).		<u>184,484</u>	<u>\$ 18,843,696</u>
Change in net position of governmental activities			<u><u>\$ 1,174,508</u></u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Campus Connection</u>	<u>Service Fund</u>
		<u>Self-Insurance</u>
ASSETS		
Current assets:		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 653,347	\$ 2,221,261
Cash on hand and in banks	-	251,843
Due from other funds	3,062	-
Receivables	<u>3,004</u>	<u>25,244</u>
Total assets	<u>659,413</u>	<u>2,498,348</u>
DEFERRED OUTFLOWS OR RESOURCES		
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>173,978</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	15,977	4,872
Due to other funds	36,720	249
Claims liability	<u>-</u>	<u>2,135,777</u>
Current liabilities	<u>52,697</u>	<u>2,140,898</u>
Net pension liability - long-term	<u>552,000</u>	<u>-</u>
Total liabilities	<u>604,697</u>	<u>2,140,898</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>66,280</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>\$ 162,414</u>	<u>\$ 357,450</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	<u>Business-Type Activities</u>	<u>Governmental Activities Internal</u>
	<u>Enterprise Fund Campus Connection</u>	<u>Service Fund Self-Insurance</u>
Operating revenues:		
Self-insurance premiums	\$ -	\$ 22,645,566
Other local revenues	<u>579,233</u>	<u>1,320,649</u>
Total operating revenues	<u>579,233</u>	<u>23,966,215</u>
Operating expenses:		
Classified salaries	368,844	-
Employee benefits	265,572	127,207
Books and supplies	19,317	-
Contract services and operating expenses	<u>59,995</u>	<u>23,775,802</u>
Total operating expenses	<u>713,728</u>	<u>23,903,009</u>
Operating (loss) income	<u>(134,495)</u>	<u>63,206</u>
Non-operating revenue:		
Interest income	11,018	20,508
Transfers in	<u>1,004</u>	<u>-</u>
Total non-operating revenue	<u>12,022</u>	<u>20,508</u>
Change in net position	(122,473)	83,714
Total net position, July 1, 2017	<u>284,887</u>	<u>273,736</u>
Total net position, June 30, 2018	<u>\$ 162,414</u>	<u>\$ 357,450</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Campus Connection</u>	<u>Service Fund</u>
		<u>Self-Insurance</u>
Cash flows from operating activities:		
Cash received from user charges	\$ 578,898	\$ -
Cash received from self-insurance premiums	-	23,948,495
Cash paid for services	(545,050)	(23,656,493)
Cash paid for other expenses	<u>(78,649)</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(44,801)</u>	<u>292,002</u>
Cash flows used in financing activities:		
Net transfers from other funds	<u>(16,393)</u>	<u>-</u>
Cash flows provided by investing activities:		
Interest income received	<u>11,018</u>	<u>20,508</u>
(Decrease) increase in cash and investments	(50,176)	312,510
Cash and investments, July 1, 2017	<u>703,523</u>	<u>2,160,594</u>
Cash and investments, June 30, 2018	<u>\$ 653,347</u>	<u>\$ 2,473,104</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ (134,495)	\$ 63,206
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
(Increase) decrease in:		
Receivables	(335)	(17,720)
Deferred outflows of resources - pensions	(26,864)	-
Increase (decrease) in:		
Accounts payable	663	1,561
Pension liability	73,142	-
Due to other funds	-	249
Claims liability	-	244,706
Deferred inflows of resources - pensions	<u>43,088</u>	<u>-</u>
Total adjustments	<u>89,694</u>	<u>228,796</u>
Net cash (used in) provided by operating activities	<u>\$ (44,801)</u>	<u>\$ 292,002</u>

See accompanying notes to financial statements.

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

ASSETS

Cash on hand and in banks (Note 2)	<u>\$ 619,165</u>
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LIABILITIES

Due to student groups	<u>\$ 619,165</u>
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See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

1 - General Fund:

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

2 - Building Fund:

The Building Fund is used to account for resources used for the acquisition or construction of major capital facilities by the District.

3 - Capital Facilities Fund:

The Capital Facilities Fund is used to account for resources used for the acquisition or construction of major capital facilities by the District.

3 - Campus Connection Fund:

The Campus Connection Fund is a Business-Type Activity, used to account for the financial transactions of the District's after-school services.

B - Other Funds

1 - Special Revenue Funds:

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

2 - Capital Project Funds:

The Capital Project Funds are used to account for resources used for the acquisition or construction of major capital facilities by the District. This classification includes the County School Facilities and Special Reserve for Capital Outlay Projects Fund.

3 - Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's employee medical and surgical benefits.

5 - Student Body Fund:

The Student Body Fund is a Fiduciary Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

Stores Inventory: Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 38,109,880</u>	<u>\$ 12,975,920</u>	<u>\$ 51,085,800</u>
Deferred inflows of resources	<u>\$ 5,253,000</u>	<u>\$ 646,000</u>	<u>\$ 5,899,000</u>
Net pension liability	<u>\$119,174,000</u>	<u>\$ 39,956,000</u>	<u>\$159,130,000</u>
Pension expense	<u>\$ 18,946,847</u>	<u>\$ 7,379,363</u>	<u>\$ 26,326,210</u>

The District has allocated approximately 1.40 percent of the District's proportionate share of the PERF B net pension liability and related deferred inflows of resources and outflows of resources to the District's business-type activities.

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

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$489,301 is for the earned but unused benefits.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave: Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

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

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self insurance represents the portion of net position restricted for the District's claims and health benefits to current and retired employees. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance:

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

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2018, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

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

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

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Fresno bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncement: In June 2015, the Government Accounting Standards Board (GASB) issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 governmental activities net position was restated by \$16,489,634 because of the recognition of the total OPEB liability.

NOTE 2 - CASH AND INVESTMENTS

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

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 71,269,534	\$ 2,221,261	\$ 73,490,795	\$ 653,347	\$ -
Deposits:					
Cash in revolving fund	25,000	-	25,000	-	-
Cash on hand and in banks	158,728	251,843	410,571	-	619,165
Total deposits	183,728	251,843	435,571	-	619,165
Cash with Fiscal Agent	31,079	-	31,079	-	-
Total cash and investments	\$ 71,484,341	\$ 2,473,104	\$ 73,957,445	\$ 653,347	\$ 619,165

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Fresno County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts was \$463,288, and the bank balances was \$463,804, of which \$461,961 was FDIC insured.

Cash balances held in credit unions are insured by the National Credit Union Association (NCUA). At June 30, 2018, the carrying amount of the District's accounts was \$591,448 and the bank balance was \$688,746, of which \$250,000 was NCUA insured.

Cash with Fiscal Agent: Cash with Fiscal Agent in the General Fund totaling \$31,079 are the proceeds from General Obligation Bonds, and Certificates of Participation, respectively, held by trustees. The amounts held by trustees are fully collateralized.

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

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

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - INTERFUND TRANSACTIONS

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

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 528,834	\$ 61,531
Capital Facilities	1,526	5,263
Non-Major Funds:		
Adult Education	32,568	15,737
Child Development	-	18,612
Cafeteria	9,031	456,801
Deferred Maintenance	19,892	-
Proprietary Funds:		
Campus Connection Fund	3,062	36,720
Self Insurance Fund	-	249
Totals	<u>\$ 594,913</u>	<u>\$ 594,913</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - INTERFUND TRANSACTIONS (CONTINUED)

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

Transfers for the 2017-18 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for maintenance costs.	\$ 500,000
Transfer from the General Fund to the Campus Connection Fund for support services.	1,004
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund for capital outlay projects.	2,209,124
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	452,134
Transfer from the Child Development Fund to the General Fund for indirect costs.	50,263
Transfer from the Adult Education Fund to the General Fund for indirect costs.	<u>40,900</u>
	<u><u>\$ 3,253,425</u></u>

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 18,816,534	\$ -	\$ -	\$ 18,816,534
Work-in-process	20,993,626	20,219,707	(2,292,866)	38,920,467
Depreciable:				
Land improvements	41,647,038	2,370,369	-	44,017,407
Buildings and improvements	220,443,411	3,603,658	-	224,047,069
Equipment	<u>35,345,016</u>	<u>4,793,941</u>	<u>(967,868)</u>	<u>39,171,089</u>
Totals, at cost	<u>337,245,625</u>	<u>30,987,675</u>	<u>(3,260,734)</u>	<u>364,972,566</u>
Less accumulated depreciation:				
Land improvements	(8,717,436)	(1,427,607)	-	(10,145,043)
Buildings and improvements	(75,897,421)	(5,583,201)	-	(81,480,622)
Equipment	<u>(15,951,098)</u>	<u>(3,672,389)</u>	<u>949,893</u>	<u>(18,673,594)</u>
Total accumulated depreciation	<u>(100,565,955)</u>	<u>(10,683,197)</u>	<u>949,893</u>	<u>(110,299,259)</u>
Capital assets, net	<u>\$ 236,679,670</u>	<u>\$ 20,304,478</u>	<u>\$ (2,310,841)</u>	<u>\$ 254,673,307</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities for the year ended June 30, 2018 as follows:

Governmental activities:	
Instruction	\$ 8,176,825
School site administration	1,045
Home to school transportation	963,313
Food services	98,449
Ancillary services	11,725
General administration	136,100
Centralized data processing	543,168
Plant services	<u>752,572</u>
 Total depreciation expense	 <u>\$ 10,683,197</u>

At June 30, 2018, the District had capital assets acquired from capital leases with an original cost of \$13,537,346. The accumulated depreciation was \$7,343,741 on these assets.

NOTE 5 - SELF-INSURANCE

The District has established a self-insurance fund to account for the risk of loss for employee medical, dental, vision and medical prescription benefits. The District records an estimated liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses, based on claims lag data from the District's claim system.

Changes in the claims liability for the year ended June 30, 2018 were as follows:

Claims liability at July 1, 2016	\$ 2,585,802
 Incurred claims and changes in estimates	 13,334,765
Paid claims	<u>(14,029,496)</u>
 Claims liability at July 1, 2017	 1,891,071
 Incurred claims and changes in estimates	 19,669,141
Paid claims	<u>(19,424,435)</u>
 Claims liability at June 30, 2018	 <u>\$ 2,135,777</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: In September 1998, the District issued General Obligation Revenue Bonds in the aggregate amount of \$21,294,069 (\$13,945,000 in Current Interest Bonds and \$7,349,069 in Capital Appreciation Bonds).

In February 2009, the District issued Election of 2008, Series A General Obligation Bonds in the amount of \$35,999,923 (\$33,255,000 in Current Interest Bonds and \$2,744,923 in Capital Appreciation Bonds) to finance the renovation and update of existing school facilities and to finance construction, furnishing and equipping of two new elementary, one new middle school, and one new high school.

In December 2012, the District issued Election of 2008, Series B General Obligation Bonds (Capital Appreciation Bonds) in the amount of \$12,999,862.

In May 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$22,665,000 to refund on a current basis, all of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the cost of issuance of the 2014 Refunding Bonds.

In July 2014, the District issued General Obligation Bonds, Election 2008, Series C in the amount of \$7,497,871. The proceeds from the Series C bonds were be used to pay the District's 2013 General Obligation Bond Anticipation Notes and to construct a portion of the projects specified in the District's proposition submitted at an election of the registered voters of the District held on November 4, 2008.

In December 2014, the District issued 2014 General Obligation Refunding Bonds, Series B to refund a portion of the District's outstanding Election of 2004 Series B Bonds and to pay costs of issuance of the Bonds.

In June 2016, the District issued 2016 General Obligation Refunding Bonds to refund, on an advance basis, a portion of the District's outstanding Election of 2008 Series A Bonds and to pay the cost of issuance of the 2016 Refunding Bonds.

In March 2017, the District issued 2008 Election, Series D in the amount of \$4,500,000. The proceeds from the Series D bonds are to be used to to construct projects specified in the District's proposition submitted at an election of the registered voters of the District held on November 4, 2008.

In March 2017, the District issued 2016 Election, Series A (GO Reauthorization Bonds) in the amount of \$25,000,000. The proceeds from the Series A bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which reauthorized the issuance of \$87,300,000 principal amount of general obligation bonds for the purpose of financing the replacement and upgrading of school facilities.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

<u>Bond</u>	<u>Interest Rate %</u>	<u>Year of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Balance Outstanding July 1, 2017</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Balance Outstanding June 30, 2018</u>
1998 Series A	5.60 - 6.25%	1998	2018	\$ 21,294,069	\$ 990,000	\$ -	\$ 990,000	\$ -
2008 Series A	5.00 - 5.25%	2009	2020	35,999,923	1,642,051	-	345,180	1,296,871
2008 Series B	5.00 - 5.25%	2013	2043	12,999,862	12,999,862	-	-	12,999,862
2014 Refunding	2.00 - 5.00%	2014	2030	22,665,000	21,030,000	-	620,000	20,410,000
2008 Series C	2.00 - 5.00%	2015	2045	7,497,871	7,497,871	-	-	7,497,871
2014 Refunding, Series B	2.00 - 5.00%	2015	2032	12,495,000	12,255,000	-	345,000	11,910,000
2016 Refunding	2.00 - 5.00%	2016	2033	34,380,000	34,380,000	-	-	34,380,000
2008 Series D	2.00 - 5.00%	2017	2031	4,500,000	4,500,000	-	-	4,500,000
2016 Series A	2.00 - 4.08%	2017	2048	25,000,000	25,000,000	-	-	25,000,000
				<u>\$176,831,725</u>	<u>\$120,294,784</u>	<u>\$ -</u>	<u>\$ 2,300,180</u>	<u>\$117,994,604</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2008, Series A, General Obligation Bonds, outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 361,871	\$ 514,879	\$ 876,750
2020	<u>935,000</u>	<u>23,375</u>	<u>958,375</u>
	<u>\$ 1,296,871</u>	<u>\$ 538,254</u>	<u>\$ 1,835,125</u>

The annual payments required to amortize the 2008, Series B, General Obligation Bonds, outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2034-2038	\$ 6,044,346	\$ 21,658,104	\$ 27,702,450
2039-2043	<u>6,955,516</u>	<u>22,389,064</u>	<u>29,344,580</u>
	<u>\$ 12,999,862</u>	<u>\$ 44,047,168</u>	<u>\$ 57,047,030</u>

The annual payments required to amortize the 2014 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 997,969	\$ 997,969
2020	760,000	970,369	1,730,369
2021	925,000	936,669	1,861,669
2022	1,110,000	890,419	2,000,419
2023	1,320,000	829,669	2,149,669
2024-2028	10,125,000	2,842,470	12,967,470
2029-2030	<u>6,170,000</u>	<u>300,090</u>	<u>6,470,090</u>
	<u>\$ 20,410,000</u>	<u>\$ 7,767,655</u>	<u>\$ 28,177,655</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2008, Series C, General Obligation Bonds, outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 262,006	\$ 262,006
2020	-	262,006	262,006
2021	25,000	261,756	286,756
2022	40,000	261,106	301,106
2023	60,000	259,806	319,806
2024-2028	655,000	1,253,091	1,908,091
2029-2033	1,039,033	1,504,742	2,543,775
2034-2038	811,252	2,675,998	3,487,250
2039-2043	3,007,586	1,242,214	4,249,800
2044-2045	<u>1,860,000</u>	<u>86,275</u>	<u>1,946,275</u>
	<u>\$ 7,497,871</u>	<u>\$ 8,069,000</u>	<u>\$ 15,566,871</u>

The annual payments required to amortize the 2014 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 355,000	\$ 500,169	\$ 855,169
2020	375,000	485,569	860,569
2021	395,000	468,194	863,194
2022	400,000	448,319	848,319
2023	420,000	427,819	847,819
2024-2028	2,480,000	1,815,419	4,295,419
2029-2033	<u>7,485,000</u>	<u>868,816</u>	<u>8,353,816</u>
	<u>\$ 11,910,000</u>	<u>\$ 5,014,305</u>	<u>\$ 16,924,305</u>

The annual payments required to amortize the 2016 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,255,650	\$ 1,255,650
2020	-	1,255,650	1,255,650
2021	1,295,000	1,223,275	2,518,275
2022	1,475,000	1,154,025	2,629,025
2023	1,670,000	1,075,400	2,745,400
2024-2028	11,710,000	3,943,175	15,653,175
2029-2033	<u>18,230,000</u>	<u>1,596,150</u>	<u>19,826,150</u>
	<u>\$ 34,380,000</u>	<u>\$ 11,503,325</u>	<u>\$ 45,883,325</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

At June 30, 2018, \$32,320,000 of bonds outstanding are considered defeased.

The annual payments required to amortize the 2008, Series D, General Obligation Bonds, outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 640,000	\$ 150,950	\$ 790,950
2020	650,000	138,050	788,050
2021	255,000	127,725	382,725
2022	260,000	118,700	378,700
2023	265,000	108,200	373,200
2024-2028	1,455,000	358,725	1,813,725
2029-2031	<u>975,000</u>	<u>47,275</u>	<u>1,022,275</u>
	<u>\$ 4,500,000</u>	<u>\$ 1,049,625</u>	<u>\$ 5,549,625</u>

The annual payments required to amortize the 2016, Series A, General Obligation Bonds, outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,000,000	\$ 927,800	\$ 2,927,800
2020	2,250,000	885,300	3,135,300
2021	-	862,800	862,800
2022	-	862,800	862,800
2023	-	862,800	862,800
2024-2028	420,000	4,292,400	4,712,400
2029-2033	1,715,000	4,095,938	5,810,938
2034-2038	3,380,000	3,655,300	7,035,300
2039-2043	5,895,000	2,602,300	8,497,300
2044-2048	<u>9,340,000</u>	<u>994,400</u>	<u>10,334,400</u>
	<u>\$ 25,000,000</u>	<u>\$ 20,041,838</u>	<u>\$ 45,041,838</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation: In 2007, the District issued Certificates of Participation in the amount of \$20,350,000 to finance various projects and refund a portion of the 1998 COPs.

In June 2016, the District issued Refunding Certificates of Participation in the amount of \$13,668,513.

In October 2017, the District issued Refunding Certificates of Participation in the amount of \$6,110,000.

<u>Bond</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Balance Outstanding July 1, 2017</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2018</u>
2007 COPs	4.1 - 4.7%	2007	2028	\$ 20,350,000	\$ 8,360,000	\$ -	\$ 8,360,000	\$ -
2016 Refunding COPs	2.21%	2016	2027	13,668,513	12,541,002	-	644,474	11,896,528
2017 Refunding COPs	2.29%	2017	2028	<u>6,110,000</u>	<u>-</u>	<u>6,110,000</u>	<u>-</u>	<u>6,110,000</u>
				<u>\$ 40,128,513</u>	<u>\$ 20,901,002</u>	<u>\$ 6,110,000</u>	<u>\$ 9,004,474</u>	<u>\$ 18,006,528</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2016 Refunding Certificates of Participation outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,384,149	\$ 255,266	\$ 1,639,415
2020	1,304,829	225,114	1,529,943
2021	1,337,100	196,099	1,533,199
2022	1,367,162	166,383	1,533,545
2023	1,396,604	136,006	1,532,610
2024-2027	<u>5,106,684</u>	<u>247,267</u>	<u>5,353,951</u>
	<u>\$ 11,896,528</u>	<u>\$ 1,226,135</u>	<u>\$ 13,122,663</u>

The annual payments required to amortize the 2017 Refunding Certificates of Participation outstanding as of June 30, 2018, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 545,000	\$ 133,679	\$ 678,679
2020	520,000	121,485	641,485
2021	530,000	109,462	639,462
2022	545,000	97,153	642,153
2023	560,000	84,501	644,501
2024-2027	<u>3,410,000</u>	<u>184,574</u>	<u>3,594,574</u>
	<u>\$ 6,110,000</u>	<u>\$ 730,854</u>	<u>\$ 6,840,854</u>

Economic Gain: The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid is \$793,430.

Although the refundings resulted in the recognition of an accounting loss of \$85,090 for the year ended June 30, 2018, the District in effect reduced its aggregate debt service payments by \$303,868 over the next 8 years and obtained an economic gain of \$793,430.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	\$ 7,180,090
New debt service cash flows	<u>6,876,222</u>
	<u>\$ 303,868</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Capital Lease Obligations: In June 2014, the District entered into a capital lease agreement with Key Government Finance for the acquisition of portables. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	
2019	\$ 360,955
Less amount representing interest	<u>(6,749)</u>
Net present value of minimum payments	<u><u>\$ 354,206</u></u>

In October 2016, the District entered into a capital lease agreement with Hewlett-Packard Enterprise Financial Services Company for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	
2019	\$ 1,398,597
2020	<u>378,349</u>
Total payments	1,776,946
Less amount representing interest	<u>(77,550)</u>
Net present value of minimum payments	<u><u>\$ 1,699,396</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In September 2017, the District entered into a capital lease agreement with Key Government Finance for the acquisition of modular buildings. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	
2019	\$ 145,634
2020	145,634
2021	145,634
2022	<u>145,634</u>
Less amount representing interest	<u>(33,561)</u>
Net present value of minimum payments	<u><u>\$ 548,975</u></u>

In 2018, the District entered into a capital lease agreement with Dell Finance for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	
2019	\$ 475,718
2020	<u>475,718</u>
Less amount representing interest	<u>-</u>
Net present value of minimum payments	<u><u>\$ 951,436</u></u>

Qualified Zone Academy Bonds: In June 2014, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Debuque Bank & Trust Company to finance the acquisition, construction and installation of certain solar and related energy improvements to school facilities within buildings or on land owned by the District totaling \$6,825,000. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

Year Ending <u>June 30,</u>	<u>Principal</u>
2019	\$ 401,470
2020	401,470
2021	401,470
2022	401,470
2023	401,470
2024-2028	2,007,355
2029-2031	<u>1,204,413</u>
Total payments	<u><u>\$ 5,219,118</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In December 2016, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with Public Property Financing Corporation, a nonprofit benefit corporation, to finance the costs of certain improvements to school facilities within buildings or on land owned by the District totaling \$10,295,000. The bonds bear no interest, and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

Year Ending <u>June 30,</u>	<u>Principal</u>
2019	\$ 514,750
2020	514,750
2021	514,750
2022	514,750
2023	514,750
2024-2028	2,573,750
2029-2033	2,573,750
2034-2036	<u>2,059,000</u>
Total payments	<u>\$ 9,780,250</u>

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

	Balance July 1, 2017 <u>as Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>	Amounts Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation					
Bonds	\$ 120,294,784	\$ -	\$ 2,300,180	\$ 117,994,604	\$ 3,356,872
Bond premiums	10,225,505	-	674,773	9,550,732	687,900
Accreted interest	5,025,896	1,427,520	1,404,820	5,048,596	468,128
Certificates of Participation	20,901,002	6,110,000	9,004,474	18,006,528	1,929,149
Capitalized lease obligations	4,386,404	2,120,384	2,952,775	3,554,013	2,306,459
QZABs	15,915,588	-	916,220	14,999,368	916,220
Total OPEB liability (Note 10)	32,669,902	1,318,035	-	33,987,937	-
Compensated absences	673,785	21,014	205,498	489,301	-
Net pension liability (Notes 8 and 9)	<u>132,394,142</u>	<u>26,183,858</u>	<u>-</u>	<u>158,578,000</u>	<u>-</u>
Totals	<u>\$ 342,487,008</u>	<u>\$ 37,180,811</u>	<u>\$ 17,458,740</u>	<u>\$ 362,209,079</u>	<u>\$ 9,664,728</u>
<u>Business-Type Activities:</u>					
Net pension liability (Notes 8 and 9)	<u>\$ 478,858</u>	<u>\$ 73,142</u>	<u>\$ -</u>	<u>\$ 552,000</u>	<u>\$ -</u>

Payments on the General Obligation Bonds are made from the Bond Interest Redemption Fund. Payments on the Certificates of Participation, QZABs and capitalized lease obligations are made from the General Fund and Capital Facilities Fund. Payments on other postemployment benefits, early retirement incentive program, compensated absences and net pension liability are made from the fund for which the related employee worked.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - FUND BALANCES

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

	General Fund	Building Fund	Capital Facilities Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	<u>3,720</u>	<u>-</u>	<u>-</u>	<u>82,777</u>	<u>86,497</u>
Subtotal nonspendable	<u>28,720</u>	<u>-</u>	<u>-</u>	<u>82,777</u>	<u>111,497</u>
Restricted:					
Legally restricted programs	3,443,975	-	-	4,441,550	7,885,525
Capital projects	-	14,843,448	2,061,409	3,198,518	20,103,375
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,398,191</u>	<u>6,398,191</u>
Subtotal restricted	<u>3,443,975</u>	<u>14,843,448</u>	<u>2,061,409</u>	<u>14,038,259</u>	<u>34,387,091</u>
Assigned:					
Construction of new high school	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
Unassigned:					
Designated for economic uncertainties	8,920,676	-	-	-	8,920,676
Undesignated	<u>20,772,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,772,233</u>
Subtotal unassigned	<u>29,692,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,692,909</u>
Total fund balances	<u>\$ 37,165,604</u>	<u>\$ 14,843,448</u>	<u>\$ 2,061,409</u>	<u>\$ 14,121,036</u>	<u>\$ 68,191,497</u>

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

(Continued)

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

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

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

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

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

Employers – 14.43 percent of applicable member earnings.

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

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

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

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

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

The District contributed \$10,279,880 to the plan for the fiscal year ended June 30, 2018.

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

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

(1) This rate does not include \$72 million reduction with Education Code 22954

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

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

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

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:

District's proportionate share of the net pension liability	\$ 119,174,000
State's proportionate share of the net pension liability associated with the District	<u>70,503,000</u>
Total	<u>\$ 189,677,000</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2017, the District's proportion was 0.129 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2016.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

For the year ended June 30, 2018, the District recognized pension expense of \$18,946,847 and revenue of \$7,006,341 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 441,000	\$ 2,079,000
Changes of assumptions	22,078,000	-
Net differences between projected and actual earnings on investments	-	3,174,000
Changes in proportion and differences between District contributions and proportionate share of contributions	5,311,000	-
Contributions made subsequent to measurement date	<u>10,279,880</u>	<u>-</u>
Total	<u>\$ 38,109,880</u>	<u>\$ 5,253,000</u>

\$10,279,880 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 1,673,117
2020	\$ 6,309,117
2021	\$ 4,600,617
2022	\$ 1,492,617
2023	\$ 4,140,867
2024	\$ 4,360,665

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

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

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	<u>As of June 30,</u> <u>2017</u>	<u>As of June 30,</u> <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$174,985,000</u>	<u>\$119,174,000</u>	<u>\$ 73,879,000</u>

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

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

General Information about the Public Employer's Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

Members - The member contribution rate was 6.5 or 7.5 percent of applicable member earnings for fiscal year ended June 30, 2018.

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

The District contributed \$3,547,920 to the plan for the fiscal year ended June 30, 2018.

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 of \$39,956,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2017, the District’s proportion was 0.167 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$7,379,363. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,431,000	\$ -
Changes of assumptions	5,836,000	470,000
Net differences between projected and actual earnings on investments	1,382,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	779,000	176,000
Contributions made subsequent to measurement date	<u>3,547,920</u>	<u>-</u>
Total	<u>\$ 12,975,920</u>	<u>\$ 646,000</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

\$3,547,920 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 2,690,750
2020	\$ 3,967,750
2021	\$ 2,880,250
2022	\$ (756,750)

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

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

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

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period

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

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

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 58,788,000</u>	<u>\$ 39,956,000</u>	<u>\$ 24,333,000</u>

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District administers a single-employer defined benefit healthcare plan and provides post employment medical, drug, dental and vision insurance coverage, as prescribed in various employee labor agreements and plan documents, to retirees meeting eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when requirements are met. There is no separate report issued for the defined benefit healthcare plan.

The Central Unified School District’s Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The District’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District’s Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s Total OPEB Liability.

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

	<u>Number of Participants</u>
Retirees	97
Active employees	<u>1,297</u>
	<u><u>1,394</u></u>

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided and Coverage Period:

Prior to Age 65:

Retirees are eligible to receive a continuation of the health insurance benefits (medical, drug, dental, and vision) they received as active employees until age 65. Retirees must make the same monthly premium payments that are required of actives.

After Age 65:

Retirement Date Prior to June 30, 2005

Less than 20 years of service

No District contribution after age 65.

At least 20 years of service

Retiree is eligible for medical benefits, plus prescription drug coverage up to \$3,000 per year. Retiree may purchase dental and vision coverage for themselves as well as medical, drug, dental, and vision coverage for their spouse.

At least 25 years of service

In addition to above coverage, District pays for dental and vision coverage. Retiree may purchase coverage for their spouse (medical, drug, dental, and vision).

At least 30 years of service

In addition to above coverage, District pays for spouse benefits. Surviving spouses continue to receive benefits for their lifetime.

Retirement Date After June 30, 2005

Less than 30 years of service or retired before age 57

No District contribution after age 65.

"Sunset" Provision - At least 30 years of service and 57 years of age at Retirement

District pays for entire cost of medical, drug, dental, and vision benefits for retirees and their spouses. Surviving spouses continue to receive benefits for their lifetime. This sunset provision expired June 30, 2012. Any employees who had not yet retired by this date are not eligible for the lifetime District contribution regardless of service at retirement.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board.

Contributions to the Plan from the District were \$1,298,882 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan. The Actuarially determined contribution for the year ended June 30, 2019 is \$3,312,106. In determining the actuarially determined contribution, the total OPEB liability is amortized as a level dollar amount over 30 years on an open basis.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

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

<u>Valuation Date</u>	June 30, 2018
<u>Fiscal Year End</u>	June 30
<u>Mortality Rate</u>	Rates developed by CalPERS and CalSTRS in their most recent demographic experience studies.
<u>Retirement</u>	Vary by age and service. Rates developed by CalPERS and CalSTRS in their most recent demographic experience studies.
<u>Discount Rate as of 6/30/2018</u>	3.87%. Based on the 20 year Bond Buyer GO index as of June 28, 2018.
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.
<u>Inflation Rate</u>	2.50% per year
<u>Salary Increases</u>	3.25% per year
<u>Spouse Coverage</u>	70% of employees and retirees are assumed to have a covered spouse in retirement (no dependent children are assumed). Female spouses are assumed to be three years younger than male spouses.
<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Health Care Inflation</u>	The medical cost inflation trend was derived from the "Getzen Model" published by the Society of Actuaries for developing long term medical cost trends. The "Getzen Model" was then updated to reflect the latest economic growth factors, and an adjustment was made to reflect the value of expected excise taxes payable in 2022 and later. The medical inflation developed for this valuation was based on an underlying inflation (CPI) assumption of 2.50%.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>32,669,902</u>
Changes for the year:	
Service cost	1,326,164
Interest	1,290,753
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(1,298,882)
Administrative expenses	<u>-</u>
Net change	<u>1,318,035</u>
Balance at June 30, 2018	<u>\$ 33,987,937</u>

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

	1% Decrease in Discount Rate (2.87%)	Current Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
Total OPEB liability	<u>\$ 37,525,048</u>	<u>\$ 33,987,937</u>	<u>\$ 30,837,809</u>

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

	1% Decrease (5.0 – 3.2%)	Healthcare Cost Trend Rates Rate (6.0 – 4.2%)	1% Increase (7.0 – 5.2%)
Total OPEB Liability	<u>\$ 30,120,284</u>	<u>\$ 33,987,937</u>	<u>\$ 38,539,655</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,616,916. At June 30, 2018, the District did not recognize any deferred outflows or inflows of resources related to the OPEB liability.

NOTE 11 - JOINT POWERS AGREEMENTS

California Risk Management Authority I: The District is a member with other school districts of a Joint Powers Authority, California Risk Management Authority I (CRMA I), which provides property and liability coverage to educational agencies in the Central Valley of California. CRMA I is governed by a board consisting of a Representative and Alternate Representative who are appointed by each district's Board of Trustees. The CRMA I Board controls the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information of CRMA I as of June 30, 2017 (the most recent information available):

Total assets	\$ 4,554,522
Total liabilities	\$ 1,967,585
Net position	\$ 2,586,937
Total revenues	\$ 3,664,930
Total expenses	\$ 3,271,991
Change in net position	\$ 392,939

California Risk Management Authority II: The District is a member with other school districts of a Joint Powers Authority, California Risk Management Authority II (CRMA II), which provides workers compensation coverage to educational agencies in the Central Valley of California. CRMA II is governed by a board consisting of a Representative and Alternate Representative who are appointed by each district's Board of Trustees. The CRMA II Board controls the operations of the Joint Powers Authority, independent of any influence by the member districts beyond their representation on the Board. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year. The following is a summary of financial information of CRMA II as of June 30, 2017 (the most recent information available):

Total assets	\$ 18,092,951
Total liabilities	\$ 9,960,047
Net position	\$ 8,132,904
Total revenues	\$ 6,743,808
Total expenses	\$ 6,031,720
Change in net position	\$ 712,088

The relationship between Central Unified School District and the Joint Powers Authorities are such that they are not component units of the District for financial reporting purposes.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 - CONTINGENCIES

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

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

Construction Commitments: As of June 30, 2018, the District has approximately \$15.7 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula				
State apportionment	\$ 126,202,779	\$ 126,855,035	\$ 125,661,006	\$ (1,194,029)
Local sources	<u>16,303,265</u>	<u>16,303,265</u>	<u>17,251,141</u>	<u>947,876</u>
Total LCFF	<u>142,506,044</u>	<u>143,158,300</u>	<u>142,912,147</u>	<u>(246,153)</u>
Federal sources	9,526,232	10,469,220	9,102,302	(1,366,918)
Other state sources	8,617,524	12,100,661	14,041,056	1,940,395
Other local sources	<u>7,179,505</u>	<u>9,158,788</u>	<u>8,714,308</u>	<u>(444,480)</u>
Total revenues	<u>167,829,305</u>	<u>174,886,969</u>	<u>174,769,813</u>	<u>(117,156)</u>
Expenditures:				
Current:				
Certificated salaries	72,700,377	73,975,650	72,598,041	1,377,609
Classified salaries	23,716,328	23,245,655	22,765,889	479,766
Employee benefits	41,310,831	41,630,204	42,450,769	(820,565)
Books and supplies	11,188,848	11,577,737	9,373,801	2,203,936
Contract services and operating expenditures	15,827,859	16,562,595	14,963,718	1,598,877
Other outgo	995,928	1,033,782	1,794,601	(760,819)
Capital outlay	2,496,515	6,716,052	6,403,142	312,910
Debt service:				
Principal retirement	4,810,915	5,286,633	5,286,633	-
Interest	<u>745,761</u>	<u>610,098</u>	<u>610,098</u>	<u>-</u>
Total expenditures	<u>173,793,362</u>	<u>180,638,406</u>	<u>176,246,692</u>	<u>4,391,714</u>
Deficiency of revenues under expenditures	<u>(5,964,057)</u>	<u>(5,751,437)</u>	<u>(1,476,879)</u>	<u>4,274,558</u>
Other financing sources (uses):				
Transfers in	-	1,448,858	543,297	(905,561)
Transfers out	(500,000)	(2,660,086)	(2,710,128)	(50,042)
Proceeds from capital leases	<u>-</u>	<u>-</u>	<u>1,427,154</u>	<u>1,427,154</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(1,211,228)</u>	<u>(739,677)</u>	<u>471,551</u>
Net change in fund balance	(6,464,057)	(6,962,665)	(2,216,556)	4,746,109
Fund balance, July 1, 2017	<u>39,382,160</u>	<u>39,382,160</u>	<u>39,382,160</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 32,918,103</u>	<u>\$ 32,419,495</u>	<u>\$ 37,165,604</u>	<u>\$ 4,746,109</u>

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

Last 10 Fiscal Years

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 1,326,164
Interest	1,290,753
Change in assumptions	-
Benefit Payments	<u>(1,298,882)</u>
Net change in total OPEB liability	1,318,035
Total OPEB liability - beginning of year	<u>32,669,902</u>
Total OPEB liability - end of year	<u><u>\$ 33,987,937</u></u>
Covered employee payroll	\$ 80,897,497
Total OPEB liability as a percentage of covered-employee payroll	42.0%

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

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.120%	0.127%	0.124%	0.129%
District's proportionate share of the net pension liability	\$ 70,408,000	\$ 85,339,000	\$100,428,000	\$119,174,000
State's proportionate share of the net pension liability associated with the District	<u>42,516,000</u>	<u>45,135,000</u>	<u>57,177,000</u>	<u>\$ 70,503,000</u>
Total net pension liability	<u>\$112,924,000</u>	<u>\$130,474,000</u>	<u>\$157,605,000</u>	<u>\$189,677,000</u>
District's covered payroll	\$ 53,665,000	\$ 58,834,000	\$ 61,882,000	\$ 68,502,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	148.83%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.157%	0.167%	0.164%	0.167%
District's proportionate share of the net pension liability	\$ 17,807,000	\$ 24,564,000	\$ 32,445,000	\$ 39,956,000
District's covered payroll	\$ 16,466,000	\$ 18,450,000	\$ 19,708,000	\$ 21,453,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.63%	186.25%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 5,224,489	\$ 6,639,904	\$ 8,617,505	\$ 10,279,880
Contributions in relation to the contractually required contribution	<u>5,224,489</u>	<u>6,639,904</u>	<u>8,617,505</u>	<u>10,279,880</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 58,834,000	\$ 61,882,000	\$ 68,502,000	71,240,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,171,718	\$ 2,334,850	\$ 2,979,364	\$ 3,547,920
Contributions in relation to the contractually required contribution	<u>2,171,718</u>	<u>2,334,850</u>	<u>2,979,364</u>	<u>3,547,920</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,450,000	\$ 19,708,000	\$ 21,453,000	\$ 22,844,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

CENTRAL UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditure over appropriation for the year ended June 30, 2018 were as follows:

General Fund - Employee Benefits	\$ 820,565
----------------------------------	------------

The excess is not in accordance with Education Code Section 42600.

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

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015 and 2016 actuarial reports, respectively.

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

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

SUPPLEMENTARY INFORMATION

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Total
ASSETS								
Cash and investments:								
Cash in County Treasury	\$ 394,237	\$ 83,712	\$ 1,810,510	\$ 901,698	\$ 1,013,282	\$ 2,175,029	\$ 6,366,235	\$ 12,744,703
Cash on hand and in banks	-	-	94,982	-	-	-	-	94,982
Receivables	502,628	171,327	1,197,915	5,953	6,811	3,396	31,956	1,919,986
Due from other funds	32,568	-	9,031	19,892	-	-	-	61,491
Stores inventory	-	-	82,777	-	-	-	-	82,777
Total assets	<u>\$ 929,433</u>	<u>\$ 255,039</u>	<u>\$ 3,195,215</u>	<u>\$ 927,543</u>	<u>\$ 1,020,093</u>	<u>\$ 2,178,425</u>	<u>\$ 6,398,191</u>	<u>\$ 14,903,939</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 96,127	\$ 20,095	\$ 142,449	\$ 33,082	\$ -	\$ -	\$ -	\$ 291,753
Due to other funds	<u>15,737</u>	<u>18,612</u>	<u>456,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,150</u>
Total liabilities	<u>111,864</u>	<u>38,707</u>	<u>599,250</u>	<u>33,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,903</u>
Fund balances:								
Nonspendable	-	-	82,777	-	-	-	-	82,777
Restricted	<u>817,569</u>	<u>216,332</u>	<u>2,513,188</u>	<u>894,461</u>	<u>1,020,093</u>	<u>2,178,425</u>	<u>6,398,191</u>	<u>14,038,259</u>
Total fund balances	<u>817,569</u>	<u>216,332</u>	<u>2,595,965</u>	<u>894,461</u>	<u>1,020,093</u>	<u>2,178,425</u>	<u>6,398,191</u>	<u>14,121,036</u>
Total liabilities and fund balances	<u>\$ 929,433</u>	<u>\$ 255,039</u>	<u>\$ 3,195,215</u>	<u>\$ 927,543</u>	<u>\$ 1,020,093</u>	<u>\$ 2,178,425</u>	<u>\$ 6,398,191</u>	<u>\$ 14,903,939</u>

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Total
Revenues:								
Federal sources	\$ 333,568	\$ -	\$ 7,079,150	\$ -	\$ -	\$ -	\$ -	\$ 7,412,718
Other state sources	867,214	872,500	516,163	-	1,502,290	-	72,291	3,830,458
Other local sources	<u>185,631</u>	<u>1,463</u>	<u>860,172</u>	<u>18,894</u>	<u>12,465</u>	<u>3,396</u>	<u>9,329,379</u>	<u>10,411,400</u>
Total revenues	<u>1,386,413</u>	<u>873,963</u>	<u>8,455,485</u>	<u>18,894</u>	<u>1,514,755</u>	<u>3,396</u>	<u>9,401,670</u>	<u>21,654,576</u>
Expenditures:								
Current:								
Certificated salaries	658,133	80,942	-	-	-	-	-	739,075
Classified salaries	259,704	421,169	2,521,840	-	-	-	-	3,202,713
Employee benefits	324,078	174,517	1,048,202	-	-	-	-	1,546,797
Books and supplies	86,834	116,432	4,761,684	24,046	-	-	-	4,988,996
Contract services and operating expenditures	121,404	35,485	281,110	200,165	15,976	34,095	-	688,235
Capital outlay	60,114	-	28,980	2,952,512	534,682	-	-	3,576,288
Debt service:								
Principal retirement	-	-	-	-	-	-	3,705,000	3,705,000
Interest	-	-	-	-	-	-	<u>4,082,571</u>	<u>4,082,571</u>
Total expenditures	<u>1,510,267</u>	<u>828,545</u>	<u>8,641,816</u>	<u>3,176,723</u>	<u>550,658</u>	<u>34,095</u>	<u>7,787,571</u>	<u>22,529,675</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(123,854)</u>	<u>45,418</u>	<u>(186,331)</u>	<u>(3,157,829)</u>	<u>964,097</u>	<u>(30,699)</u>	<u>1,614,099</u>	<u>(875,099)</u>
Other financing sources (uses):								
Transfers in	-	-	-	500,000	-	2,209,124	-	2,709,124
Transfers out	<u>(40,900)</u>	<u>(50,263)</u>	<u>(452,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(543,297)</u>
Total other financing sources (uses)	<u>(40,900)</u>	<u>(50,263)</u>	<u>(452,134)</u>	<u>500,000</u>	<u>-</u>	<u>2,209,124</u>	<u>-</u>	<u>2,165,827</u>
Net change in fund balances	(164,754)	(4,845)	(638,465)	(2,657,829)	964,097	2,178,425	1,614,099	1,290,728
Fund balances, July 1, 2017	<u>982,323</u>	<u>221,177</u>	<u>3,234,430</u>	<u>3,552,290</u>	<u>55,996</u>	<u>-</u>	<u>4,784,092</u>	<u>12,830,308</u>
Fund balances, June 30, 2018	<u>\$ 817,569</u>	<u>\$ 216,332</u>	<u>\$ 2,595,965</u>	<u>\$ 894,461</u>	<u>\$ 1,020,093</u>	<u>\$ 2,178,425</u>	<u>\$ 6,398,191</u>	<u>\$ 14,121,036</u>

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

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>221,100</u>	\$ <u>670,416</u>	\$ <u>665,701</u>	\$ <u>225,815</u>
Liabilities:				
Due to student groups	\$ <u>221,100</u>	\$ <u>670,416</u>	\$ <u>665,701</u>	\$ <u>225,815</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>82,115</u>	\$ <u>315,232</u>	\$ <u>309,401</u>	\$ <u>87,946</u>
Liabilities:				
Due to student groups	\$ <u>82,115</u>	\$ <u>315,232</u>	\$ <u>309,401</u>	\$ <u>87,946</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>338,006</u>	\$ <u>1,020,234</u>	\$ <u>1,052,836</u>	\$ <u>305,404</u>
Liabilities:				
Due to student groups	\$ <u>338,006</u>	\$ <u>1,020,234</u>	\$ <u>1,052,836</u>	\$ <u>305,404</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>641,221</u>	\$ <u>2,005,882</u>	\$ <u>2,027,938</u>	\$ <u>619,165</u>
Liabilities:				
Due to student groups	\$ <u>641,221</u>	\$ <u>2,005,882</u>	\$ <u>2,027,938</u>	\$ <u>619,165</u>

CENTRAL UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

The Central Unified School District, a political subdivision of the State of California, was established in 1982 and encompasses an area of approximately 88 square miles in Fresno County. There were no changes in the District's boundaries during the year. The District serves preschool age, grades transitional kindergarten through twelve, and adults. Central Unified operates five State preschools, one fee based preschool, fourteen elementary, three middle, one comprehensive high school (with two campuses), one continuation high school, one independent study center, two community day schools, and one adult school. The Board of Education at June 30, 2018 was comprised of the following members:

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Cesar Granda	President	2018
Ruben Coronado	Vice President	2018
Rama Dawar	Clerk	2018
Richard Atkins	Member	2018
Phillip Cervantes	Member	2020
Terry Cox	Member	2020
Richard A. Solis	Member	2020

The Superintendent's Executive Staff at June 30, 2018 was comprised of the following:

Andrew Alvarado
Superintendent**

Kelly Porterfield
Assistant Superintendent, Chief Business Officer

Ketti Davis
Assistant Superintendent, Educational Services

Jack Kelejian
Assistant Superintendent, Human Resources

** New Superintendent as of July 1, 2018

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

	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate Number:	93AD301E	C94532FC
Regular ADA:		
Elementary:		
Transitional Kindergarten through Third	4,823	4,830
Fourth through Sixth	3,573	3,567
Seventh and Eighth	2,420	2,410
Special Education	6	8
Community Day School	11	14
Subtotal Elementary	10,833	10,829
Secondary:		
Ninth through Twelfth	4,192	4,164
Special Education	1	1
Community Day School	12	11
Continuation Education	258	258
Subtotal Secondary	4,463	4,434
District Totals	15,296	15,263

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2018

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2017-2018 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	50,410	180	In Compliance
Grade 1	50,400	54,130	180	In Compliance
Grade 2	50,400	54,130	180	In Compliance
Grade 3	50,400	54,130	180	In Compliance
Grade 4	54,000	54,130	180	In Compliance
Grade 5	54,000	54,130	180	In Compliance
Grade 6	54,000	54,130	180	In Compliance
Grade 7	54,000	57,616	180	In Compliance
Grade 8	54,000	57,616	180	In Compliance
Grade 9	64,800	65,102	180	In Compliance
Grade 10	64,800	65,102	180	In Compliance
Grade 11	64,800	65,102	180	In Compliance
Grade 12	64,800	65,102	180	In Compliance

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	ESEA: Title I Programs:		
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	\$ 4,902,879
84.010	ESEA: Title I, Part D, Local Delinquent Programs	14357	<u>9,074</u>
	Subtotal Title I Programs		<u>4,911,953</u>
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	2,438,099
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	198,111
84.173	Special Ed: IDEA Preschool Grant, Part B, Sec. 619	13430	<u>63,541</u>
	Subtotal Special Education Cluster		<u>2,699,751</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education and ESL	14508	130,080
84.002	Adult Education: Secondary Education	13978	111,238
84.002A	Adult Education: Adult Education, English Literacy and Civics	14109	<u>47,250</u>
	Subtotal Adult Education Programs		<u>288,568</u>
	ESEA: Title I, Migrant Education Programs:		
84.011	ESEA: Title I, Migrant Education - Regular	14326	17,235
84.011	ESEA: Title I, Migrant Education - Summer	14326	<u>15,390</u>
	Subtotal ESEA: Title I, Migrant Education Programs		<u>32,625</u>
	Vocational Education Programs:		
84.048	Vocational Programs: Voc. and Applied Technology Secondary IC, Sec. 131 (Carl Perkins Act)	14894	133,341
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	14893	<u>45,000</u>
	Subtotal Vocational Education Programs		<u>178,341</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Title III Programs:		
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Program	14346	\$ 198,272
84.365	ESEA: Title III, Immigrant Education Program	15146	<u>30,020</u>
	Subtotal Title III Programs		<u>228,292</u>
84.330B	Advanced Placement/International Baccalaureate	14831	4,153
84.367	ESEA: Title II, Improving Teacher Quality Local Grants	14341	<u>443,332</u>
	Total U.S. Department of Education		<u>8,787,015</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medi-Caid Cluster:		
93.778	Medi-Cal Billing Option	10013	225,222
93.778	Medi-Cal Administrative Activities (MAA)	10060	<u>382,132</u>
	Subtotal Medi-Caid Cluster		<u>607,354</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition Cluster: School Programs (NSL Sec. 4)	13523	<u>7,079,150</u>
	Total Federal Programs		<u>\$ 16,473,519</u>

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

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

	(Budgeted) 2019	2018	2017	2016
<u>General Fund</u>				
Revenues and other financing sources	\$ 190,703,526	\$ 176,740,264	\$ 173,838,072	\$ 164,117,509
Expenditures	181,573,323	176,246,692	179,562,660	145,752,539
Other uses and transfers out	<u>6,673,161</u>	<u>2,710,128</u>	<u>2,679,500</u>	<u>2,874,546</u>
Total outgo	<u>188,246,484</u>	<u>178,956,820</u>	<u>182,242,160</u>	<u>148,627,085</u>
Change in fund balance	<u>\$ 2,457,042</u>	<u>\$ (2,216,556)</u>	<u>\$ (8,404,088)</u>	<u>\$ 15,490,424</u>
Ending fund balance	<u>\$ 39,622,646</u>	<u>\$ 37,165,604</u>	<u>\$ 39,382,160</u>	<u>\$ 37,491,248</u>
Available reserves	<u>\$ 32,315,227</u>	<u>\$ 29,692,909</u>	<u>\$ 35,369,748</u>	<u>\$ 33,335,717</u>
Designated for economic uncertainties	<u>\$ 9,391,343</u>	<u>\$ 8,920,676</u>	<u>\$ 9,089,101</u>	<u>\$ 7,409,535</u>
Undesignated fund balance	<u>\$ 22,923,884</u>	<u>\$ 20,772,233</u>	<u>\$ 26,280,647</u>	<u>\$ 25,926,482</u>
Available reserves as percentages of total outgo	<u>17.2%</u>	<u>16.6%</u>	<u>19.4%</u>	<u>22.4%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 352,544,351</u>	<u>\$ 362,209,079</u>	<u>\$ 325,997,374</u>	<u>\$ 264,788,381</u>
Average daily attendance at P-2	<u>15,374</u>	<u>15,296</u>	<u>15,211</u>	<u>15,057</u>

The General Fund fund balance has increased by \$4,869,780 over the past three years. The fiscal year 2018-2019 budget projects a increase of \$2,457,042. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2018, the District has met this requirement.

The District has incurred operating deficits in two of the past three years. The District anticipates an operating surplus in fiscal year 2018-2019.

Total long-term liabilities have increased by \$97,420,698 over the past two years.

Average daily attendance has increased by 239 over the past two years. An increase of 78 ADA is projected for the 2018-2019 fiscal year.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

Charter Schools Chartered by District

Included in District
Financial Statements, or
Separate Report

There are currently no charter schools in the District.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Central Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 16,515,020
Less: Medi-Cal Administrative Activities funds not spent	93.778	(27,295)
Medi-Cal Billing Option funds not spent	93.778	<u>(14,206)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 16,473,519</u>

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

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULE (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

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

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

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

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

Board of Education
Central Unified School District
Fresno, California

Report on Compliance with State Laws and Regulations

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

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

(Continued)

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

We did not perform any procedures related to Juvenile Court Schools because the District does not operate a Juvenile Court Schools Program.

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

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction because the District did not offer this program in the current year..

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

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

We did not perform any procedures related to charter schools because the District does not sponsor any charter schools.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Central Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Central Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Central 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 qualified and unmodified opinions on compliance with state laws and regulations. However, our audit does not provide a legal determination of Central Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2018-002, in the accompanying Schedule of Audit Findings and Questioned Costs, Central Unified School District did not comply with requirements regarding Attendance Reporting. Compliance with such requirements is necessary, in our opinion, for Central Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Central Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

(Continued)

Other Matter

Central Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Central Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

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


Crowe LLP

Sacramento, California
December 12, 2018

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

Board of Education
Central Unified School District
Fresno, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Central Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified deficiencies in internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2018-001.

Compliance and Other Matters

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

(Continued)

Central Unified School District's Response to Finding

Central Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Central Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Crowe LLP

Sacramento, California
December 12, 2018

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

Board of Education
Central Unified School District
Fresno, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal 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 Central 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 Central 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 Central Unified School District's compliance.

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

Management of Central 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 Central 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 Central Unified School District's internal control over compliance.

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

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

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


Crowe LLP

Sacramento, California
December 12, 2018

FINDINGS AND RECOMMENDATIONS

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? Yes None reported

Noncompliance material to financial statements
 noted? Yes No

FEDERAL AWARDS

Internal control over major programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? Yes None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

STATE AWARDS

Type of auditor's report issued on compliance for
 state programs: Qualified

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal Controls – Safeguarding of Assets

Condition

At Saroyan Elementary, the following control deficiencies were noted:

- Profit and Loss statements for the student store are not prepared / approved.
- Periodic inventory count of the student store is not performed.

Context

The deficiencies listed above were identified through our testing of design effectiveness of internal controls related to Associated Student Body Funds.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been properly designed.

Fiscal Impact

Not determinable.

Recommendation

School sites should prepare profit and loss (P&L) statements on a monthly basis. The preparer and reviewer should sign or initial and date the P&L statements to evidence their preparation / review of the statements.

Inventory should be counted at least monthly. The preparer and reviewer should sign or initial and date the inventory count form to evidence their preparation / review of the inventory count.

Views of Responsible Official and Planned Corrective Actions

The District will provide ongoing training and on-site visits on the Associated Student Body Handbook, which outlines the issue noted by the auditor's recommendation. The District will also provide off-site training through organizations such as California Association School Business Officials (CASBO).

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria or Specific Requirement

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At McKinley Elementary School, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.01 ADA.

Context

We performed the audit procedures enumerated in the State of California *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The effect of this finding is an overstatement of 0.01 ADA.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation

The District should enforce controls to ensure accurate accounting for attendance.

Views of Responsible Officials and Planned Corrective Actions

The District will provide ongoing training on attendance reporting to all clerical staff and administrators.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

CENTRAL UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2017-001</p> <p><u>Condition:</u> At Rio Vista Middle School, logs of sub-receipt books were not being maintained.</p> <p><u>Recommendation:</u> School sites should maintain a tracking system for sub-receipt books to ensure all sub-receipt books are accounted for.</p>	Implemented.	
<p>2017-002</p> <p><u>Condition:</u> Pay rate changes were not being independently reviewed after the change was made in the payroll system.</p> <p><u>Recommendation:</u> The District should have the HR Department independently review and sign off on all pay rate changes on a routine basis.</p>	Implemented.	