

CENTRAL UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

CENTRAL UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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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, the major fund, and the aggregate remaining fund information of Central Unified School District, as of and for the year ended June 30, 2016, 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, the major fund, and the aggregate remaining fund information of Central Unified School District, as of June 30, 2016, 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)

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 14, the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 60 to 65 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 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 Horwath LLP

Sacramento, California
December 12, 2016



CENTRAL UNIFIED SCHOOL DISTRICT
4605 North Polk Avenue • Fresno, CA 93722
Phone: (559) 274-4700 • Fax: (559) 271-8200

BOARD OF TRUSTEES

Richard Atkins
Phillip Cervantes
Ruben Coronado
Terry Cox
Rama Dawar
Cesar Granda
Richard A. Solis

SUPERINTENDENT

Mark G. Sutton

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, 2016. 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.

District Administration

*Laurel Ashlock, Ed.D, Assistant Superintendent, Chief Academic Officer · Ketti Davis, Assistant Superintendent, Professional Development
Jack Kelejian, Assistant Superintendent, Human Resources · Kelly Porterfield, Assistant Superintendent, Chief Business Officer*

Paul Birrell, Director, 7-12 and Adult Education · Tami Boatright Ed.D, Director, K-8 Education · Andrea Valadez, Administrator, Special Education & Support Services

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.

District Administration

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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.

District Administration

Mark G. Sutton, Superintendent

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THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$20.3 million for the fiscal year ended June 30, 2016, and \$5.0 million for the fiscal year ended June 30, 2015; an increase of \$15.3 million. Of this amount, (\$93.8) million was unrestricted, \$17.4 million was restricted and \$96.7 million was the net investment in capital assets. The negative \$93.8 million unrestricted net position from governmental activities represents the accumulated results of all past years' operations and is also inclusive of the Net Pension Liability and related Deferred Inflows and Outflows of Resources for STRS and PERS. The implementation of GASB Statement No.68 and No. 71 reduced the District's unrestricted net position at June 30, 2015 by \$105.8 million. 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
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 66,648,652	\$ 49,219,002	\$ 667,424	\$ 535,510	\$ 67,316,076	\$ 49,754,512	35%
Capital assets	221,101,621	224,958,994			\$221,101,621	\$224,958,994	-2%
Total Assets	287,750,273	274,177,996	667,424	535,510	\$288,417,697	\$274,713,506	5%
Deferred Outflows of Resources	22,648,992	9,420,650	65,021	32,480	\$22,714,013	\$9,453,130	140%
Current liabilities	14,661,678	11,482,563	14,663	16,230	\$14,676,341	\$11,498,793	28%
Long-term liabilities	264,788,381	242,981,488	367,858	266,321	\$265,156,239	\$243,247,809	9%
Total Liabilities	279,450,059	254,464,051	382,521	282,551	\$279,832,580	\$254,746,602	10%
Deferred Inflows of Resources	10,696,808	24,129,386	35,192	103,114	\$10,732,000	\$24,232,500	
Net investment in capital assets	96,692,964	92,527,574			\$96,692,964	\$92,527,574	5%
Restricted	17,393,747	13,403,099			\$17,393,747	\$13,403,099	30%
Unrestricted	(93,834,313)	(100,925,464)	314,732	182,325	(\$93,519,581)	(\$100,743,139)	-7%
Total Net Position	\$ 20,252,398	\$ 5,005,209	\$ 314,732	\$ 182,325	\$ 20,567,130	\$ 5,187,534	296%

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.

District Administration

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Governmental Activities

As reported in the Statement of Activities, the cost of all District governmental activities for FY 2015-2016 was \$190.7 million as compared to \$156.1 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$21.1 million because the cost was paid by those who benefited from the programs (\$23.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$32 million). The District paid for the remaining “public benefit” portion of our governmental activities with \$125.1 million in State and Federal funds and with \$3.2 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 2015-2016 was \$543,373 as compared to \$495,968 in the prior year, which is an increase of \$47,405.

TABLE 2

Statement of Activities	Governmental Activities		Business-Type Activities		Total School District		Change
	2016	2015	2016	2015	2016	2015	
Program Revenues							
Charges for Services	\$ 23,764,779	\$ 1,891,530	\$ 43,933	\$ 651,380	\$ 23,808,712	\$ 2,542,910	836%
Operating Grants & Contributions	31,979,070	28,238,409	624,131	148	32,603,201	28,238,557	15%
Capital Grants and Contributions							
General Revenues							
Taxes and Subventions	21,143,202	19,694,533			21,143,202	19,694,533	7%
Federal and State Aid, Unrestricted	125,191,681	102,756,076			125,191,681	102,756,076	22%
Interagency Revenues	76,394	18,665			76,394	18,665	309%
Interest and Investment Earnings	636,251	620,115	7,716	4,906	643,967	625,021	3%
Special and extraordinary items	0	7,200			0	7,200	-100%
Internal Transfers	0	7,383	0	(7,383)	0	0	0%
Other General Revenues	3,202,890	3,269,959	0	0	3,202,890	3,269,959	-2%
Enterprise Activities							
Total Revenues	205,994,267	156,503,870	675,780	649,051	206,670,047	157,152,921	32%
Expenses							
Instructional Related	105,324,012	99,301,674			105,324,012	99,301,674	6%
Student Support Services	24,044,080	21,921,982			24,044,080	21,921,982	10%
General Administrative	11,232,494	9,223,534			11,232,494	9,223,534	22%
Maintenance and Operations	18,034,597	16,076,089			18,034,597	16,076,089	12%
Other	32,111,894	9,597,720			32,111,894	9,597,720	235%
Enterprise Activities			543,373	495,968	543,373	495,968	10%
Total Expenses	190,747,077	156,120,999	543,373	495,968	191,290,450	156,616,967	22%
Change in Net Position	\$ 15,247,190	\$ 382,871	\$ 132,407	\$ 153,083	\$ 15,379,597	\$ 535,954	2770%

District Administration

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THE DISTRICT'S FUNDS

As the District completed FY 2015-2016, governmental funds reported a combined fund balance of \$53.5 million as compared to \$39.3 million in the prior year, which is an increase of \$14.2 million.

TABLE 3
Comparative Schedule of Fund Balances

	Fund Balance		\$ Change	% Change
	June 30, 2016	June 30, 2015		
General Fund	\$37,491,248	\$22,000,824	\$15,490,424	70.41%
All Non-Major Funds	\$15,971,009	\$17,271,626	(\$1,300,617)	-7.53%
Totals	\$53,462,257	\$39,272,450	\$14,189,807	36.13%

As can be seen in the scheduled fund balances (Table 3), the \$53.5 million total fund balance includes the General fund of \$37.5 million and All Non-Major funds, which include Adult Education, Cafeteria, Child Development, Deferred Maintenance, Capital Facilities, Building, County School Facility and Bond Redemption Fund, of \$16 million. The General Fund has historically had a fund balance in excess of the state required reserve of 3%. The \$15.5 million increase was due to the ADA growth as well as the change in the LCFF GAP funding percentage and one time funds from the State.

All Non-Major funds decrease of \$1.3 million was primarily due to facility projects and deferred maintenance projects District wide.

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 2016. (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 60).

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CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$225.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation. At June 30, 2016, net fixed assets totaled \$221.1 million. This amount represents a net decrease (including additions, deductions and depreciation) of approximately \$3.9 million from last year.

TABLE 4
Governmental Activities,
Capital Assets

	2016	2015	\$ Change	% Change
Land	\$17,768,991	\$17,768,991	-	0.00%
Work-in-process	\$9,345,971	\$18,018,968	(\$8,672,997)	-48.13%
Land improvements	\$38,889,576	\$38,739,417	\$150,159	0.39%
Buildings	\$217,684,475	\$211,796,745	\$5,887,730	2.78%
Equipment	\$28,460,008	\$20,721,953	\$7,738,055	37.34%
Capital Assets, cost	\$312,149,021	\$307,046,074	\$5,102,947	-7.62%
Accumulated Depreciation	(\$91,047,400)	(\$82,087,080)	(\$8,960,320)	10.92%
Governmental Activities Capital Assets, net	\$221,101,621	\$224,958,994	(\$3,857,373)	-1.71%

Long-Term Obligations

At the end of this year, the District had \$264.8 million in long-term obligations outstanding versus \$243.0 million last year, an increase of approximately \$21.8 million.

TABLE 5
Summary of Long-Term Liabilities

	2016	2015	\$ Change	% Change
General Obligation Bonds and Bond Premium	\$ 102,831,609	\$ 99,569,280	\$ 3,262,329	3.28%
Accreted Interest	4,891,359	4,748,973	142,386	3.00%
Certificates of Participation	22,803,513	25,065,000	(2,261,487)	-9.02%
Capitalized Lease Obligations	9,291,917	11,574,325	(2,282,408)	100.00%
Net OPEB Obligations	14,922,185	13,211,647	1,710,538	12.95%
Early retirement Incentive	0	219,220	(219,220)	-100.00%
Compensated Absences	512,656	644,364	(131,708)	-20%
Net Pension Liability	109,535,142	87,948,679	21,586,463	24.54%
Total Long-Term Liabilities	\$ 264,788,381	\$ 242,981,488	\$ 21,806,893	8.97%

District Administration

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Total long-term debt for the District increased by \$21.8 million. The change in long term debt was due mainly to the increase in net pension liability in the amount of \$21.6 million. The increases in general obligation bonds and accreted interest of \$3.4 million and net OPEB obligations of \$1.7 million were offset by decreases in COPs and capital lease obligations in the amount of \$2.3 million and \$2.3 million, respectively.

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 2016-2017 year, the Governing Board and management used the following criteria:

2016-17 ADOPTED BUDGET ASSUMPTIONS

The 2016-17 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 2016-17 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 167 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

- No LCFF Revenue Cost of Living Adjustment (COLA)
- Projected District regular ADA of 15,351.62, which is approximately 95% of our demographic study of enrollment
- Projected County Operated ADA of 109.88
- Total combined projected ADA of 15,461.50

District Administration

Mark G. Sutton, Superintendent

Laurel Ashlock, Ed.D, Assistant Superintendent, Chief Academic Officer · Ketti Davis, Assistant Superintendent, Professional Development

Jack Kelejian, Assistant Superintendent, Human Resources · Kelly Porterfield, Assistant Superintendent, Chief Business Officer

Paul Birrell, Director, 7-12 and Adult Education · Tami Boatright Ed.D, Director, K-8 Education · Andrea Valadez, Administrator, Special Education & Support Services

- 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
- Carryover and deferred revenues are not budgeted

Lottery Revenues – (State and Federal)

- Projected on estimated funding of \$140.00 per ADA for unrestricted and \$41.00 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 2015-16 P2 Average Daily Attendance (ADA) at the rate of \$28/ADA for K-8 and \$56/ADA for 9-12
- One Time Mandated reimbursement of \$237 per 2015-16 P2 ADA

Other State Revenues

- Projections based on prior year entitlements, apportionments, and grant award letters
- Carryover and deferred revenues are not budgeted

Local and Other Revenues

- Local grant awards – Birth to 3rd, Regional Occupational Program (ROP), After School Program (ASP), State Water Resource, Aquatics, Co-Curricular Athletics, Congestion Mitigation and Air Quality (CMAQ), San Joaquin Valley Air Pollution Control District and Measure C

GENERAL FUND EXPENDITURES

The District's general fund total expenditures are estimated at \$157.1 million dollars. The vast majority of District money goes for direct services for children.

Certificated and Classified Salaries

- Salaries based, step and column increase, and coverage needs
- Additional 25 Teachers and 2 Administrators (High School VP and GIA)

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Employee Benefits

- Benefit rates reflect current available rates at the time the budget was prepared, STRS 1.85% increase, PERS 2.041% increase, Workers Compensation and State Unemployment is estimated at current year's rate and Health Insurance annual increase of \$190.08 per FTE. The rates used for benefits are as follows:
 - STRS .1258
 - PERS .13888
 - Social Security .062
 - Medicare .0145
 - Alt Retire .0375
 - Health/Welfare \$12,399/employee/year
 - SUI .0005
 - Workers Comp .02035

Books, Supplies and Other Materials

- Restricted resources adjusted to reflect past year per ADA allocation - Lottery
- \$1.0M Tablet replacement and accessories
- \$2.3M Instructional Materials Textbook Adoption and Supplemental Materials

Services/Other Operating Expenses

- Restricted resources adjusted to balance grant estimated totals due to the removal of carryover and deferred amounts
- Insurance and data for Tablets
- Deferred Maintenance and Routine Restricted Maintenance
- Outside Contracts and Service agreements

Capital Outlay

- Replacement of Buses
- Additional Maintenance Vehicles
- E-Rate projects – Wide area network upgrades
- Facilities needs

Other Outgo

- Tablet Lease payments
- Certificate of Participation (COP) and Quality Zone Academy Bonds (QZAB) debt payments
- Indirect cost adjusted to reflect projected revenue

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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)

RETIREMENT PACKAGE

Nothing has changed to the District's Retirement Policy.

GENERAL FUND MULTI-YEAR PROJECTIONS

Revenues for the multi-year projections follow the 2016-17 SSC's recommendations and the FCMAT LCFF calculator. Changes in the LCFF revenue represent projected changes in ADA, projected COLAs and the projected gap funding rate.

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, Capital Facilities – Developer Fees, County School Facilities – State match, Bond, Enterprise Fund – Campus Connection and Fee Based Pre-School and Self-Insurance.

These funds have an estimated accumulative total beginning balance of \$15.7 million with estimated revenue of \$42.7 million and expenditures of \$47.6 million.

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

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BASIC FINANCIAL STATEMENTS

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 57,334,831	\$ 670,993	\$ 58,005,824
Receivables	9,250,577	2,110	9,252,687
Internal balances (Note 3)	5,679	(5,679)	-
Stores inventory	57,565	-	57,565
Non-depreciable capital assets (Note 4)	27,114,962	-	27,114,962
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>193,986,659</u>	<u>-</u>	<u>193,986,659</u>
Total assets	<u>287,750,273</u>	<u>667,424</u>	<u>288,417,697</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - refunding of debt (Note 6)	7,817,259	-	7,817,259
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>14,831,733</u>	<u>65,021</u>	<u>14,896,754</u>
Total deferred outflows of resources	<u>22,648,992</u>	<u>65,021</u>	<u>22,714,013</u>
LIABILITIES			
Accounts payable and other current liabilities	11,910,238	14,663	11,924,901
Unearned revenue	165,638	-	165,638
Self-Insurance claims liability (Note 5)	2,585,802	-	2,585,802
Long-term liabilities (Note 6):			
Due within one year	7,472,796	-	7,472,796
Due after one year	<u>257,315,585</u>	<u>367,858</u>	<u>257,683,443</u>
Total liabilities	<u>279,450,059</u>	<u>382,521</u>	<u>279,832,580</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>10,696,808</u>	<u>35,192</u>	<u>10,732,000</u>
NET POSITION			
Net investment in capital assets	96,692,964	-	96,692,964
Restricted:			
Legally restricted programs	10,419,132	-	10,419,132
Capital projects	3,083,818	-	3,083,818
Debt service	3,890,797	-	3,890,797
Unrestricted	<u>(93,834,313)</u>	<u>314,732</u>	<u>(93,519,581)</u>
Total net position	<u>\$ 20,252,398</u>	<u>\$ 314,732</u>	<u>\$ 20,567,130</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	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	\$ 89,553,460	\$ 280,825	\$ 15,260,630	\$ -	\$ (74,012,005)	\$ -	\$ (74,012,005)
Instruction-related services:							
Supervision of instruction	5,370,702	303,153	3,916,215	-	(1,151,334)	-	(1,151,334)
Instructional library, media and technology	1,626,870	212	65,992	-	(1,560,666)	-	(1,560,666)
School site administration	8,772,980	47,158	989,094	-	(7,736,728)	-	(7,736,728)
Pupil services:							
Home-to-school transportation	5,403,037	7,656	16,640	-	(5,378,741)	-	(5,378,741)
Food services	7,667,023	634,493	6,943,205	-	(89,325)	-	(89,325)
All other pupil services	10,974,020	68	1,731,596	-	(9,242,356)	-	(9,242,356)
General administration:							
Centralized data processing	1,180,161	-	-	-	(1,180,161)	-	(1,180,161)
All other general administration	10,052,333	48,099	1,386,939	-	(8,617,295)	-	(8,617,295)
Plant services	18,034,597	22,962	45,470	-	(17,966,165)	-	(17,966,165)
Ancillary services	24,151,063	21,987,141	64,921	-	(2,099,001)	-	(2,099,001)
Community services	329,206	69,729	136,233	-	(123,244)	-	(123,244)
Enterprise activities	29,547	-	160	-	(29,387)	-	(29,387)
Interest on long-term liabilities	6,759,225	-	-	-	(6,759,225)	-	(6,759,225)
Other outgo	842,853	363,283	1,421,975	-	942,405	-	942,405
Business-type activities:							
Enterprise activities	<u>543,373</u>	<u>43,933</u>	<u>624,131</u>	<u>-</u>	<u>-</u>	<u>124,691</u>	<u>124,691</u>
Total governmental and business-type activities	<u>\$ 191,290,450</u>	<u>\$ 23,808,712</u>	<u>\$ 32,603,201</u>	<u>\$ -</u>	<u>(135,003,228)</u>	<u>124,691</u>	<u>(134,878,537)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					14,684,201	-	14,684,201
Taxes levied for debt service					6,443,879	-	6,443,879
Taxes levied for other specific purposes					15,122	-	15,122
Federal and state aid not restricted to specific purposes					125,191,681	-	125,191,681
Interest and investment earnings					636,251	7,716	643,967
Interagency revenues					76,394	-	76,394
Miscellaneous					<u>3,202,889</u>	<u>-</u>	<u>3,202,889</u>
Total general revenues					<u>150,250,417</u>	<u>7,716</u>	<u>150,258,133</u>
Change in net position					15,247,189	132,407	15,379,596
Net position, July 1, 2015					<u>5,005,209</u>	<u>182,325</u>	<u>5,187,534</u>
Net position, June 30, 2016					<u>\$ 20,252,398</u>	<u>\$ 314,732</u>	<u>\$ 20,567,130</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
BALANCE SHEET
June 30, 2016

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments:			
Cash in County Treasury	\$ 39,028,480	\$ 14,767,900	\$ 53,796,380
Cash in revolving fund	25,000	-	25,000
Cash on hand and in banks	15,024	109,494	124,518
Cash with Fiscal Agent	68,669	1,244,688	1,313,357
Receivables	7,525,940	1,578,132	9,104,072
Due from other funds	419,644	43,877	463,521
Stores inventory	<u>6,671</u>	<u>50,894</u>	<u>57,565</u>
Total assets	<u>\$ 47,089,428</u>	<u>\$ 17,794,985</u>	<u>\$ 64,884,413</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,016,344	\$ 1,411,486	\$ 10,427,830
Unearned revenue	165,638	-	165,638
Due to other funds	<u>416,198</u>	<u>412,490</u>	<u>828,688</u>
Total liabilities	<u>9,598,180</u>	<u>1,823,976</u>	<u>11,422,156</u>
Fund balances:			
Nonspendable	31,671	50,894	82,565
Restricted	4,123,861	15,920,115	20,043,976
Unassigned	<u>33,335,716</u>	<u>-</u>	<u>33,335,716</u>
Total fund balances	<u>37,491,248</u>	<u>15,971,009</u>	<u>53,462,257</u>
Total liabilities and fund balances	<u>\$ 47,089,428</u>	<u>\$ 17,794,985</u>	<u>\$ 64,884,413</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, 2016

Total fund balances - Governmental Funds \$ 53,462,257

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 \$312,149,021 and the accumulated depreciation is \$91,047,400 (Note 4). 221,101,621

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, 2016 consisted of (Note 6):

General Obligation Bonds	\$ (92,897,334)	
Bond Premiums	(9,934,275)	
Accreted interest	(4,891,359)	
Capitalized lease obligations	(3,269,859)	
QZABs	(6,022,058)	
Certificates of Participation	(22,803,513)	
Other postemployment benefits (Note 10)	(14,922,185)	
Net pension liability (Notes 8 and 9)	(109,535,142)	
Compensated absences	<u>(512,656)</u>	
		(264,788,381)

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) 7,817,259

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	\$ 14,831,733	
Deferred inflows of resources relating to pensions	<u>(10,696,808)</u>	4,134,925

Unmatured interest on long-term liabilities is recognized in the period incurred. (1,475,283)

Total net position - governmental activities \$ 20,252,398

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, 2016

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local Control Funding Formula (LCFF):			
State apportionment	\$113,989,189	\$ -	\$113,989,189
Local sources	<u>14,684,950</u>	<u>-</u>	<u>14,684,950</u>
Total LCFF	<u>128,674,139</u>	<u>-</u>	<u>128,674,139</u>
Federal sources	7,955,423	7,145,654	15,101,077
Other state sources	17,621,388	2,242,985	19,864,373
Other local sources	<u>9,430,163</u>	<u>9,681,182</u>	<u>19,111,345</u>
Total revenues	<u>163,681,113</u>	<u>19,069,821</u>	<u>182,750,934</u>
Expenditures:			
Current:			
Certificated salaries	62,569,215	487,595	63,056,810
Classified salaries	19,748,379	2,943,789	22,692,168
Employee benefits	33,178,090	1,232,807	34,410,897
Books and supplies	6,948,786	4,375,980	11,324,766
Contract services and operating expenditures	14,850,515	3,159,615	18,010,130
Other outgo	962,716	-	962,716
Capital outlay	2,915,524	1,733,897	4,649,421
Debt service:			
Principal retirement	3,397,703	3,649,706	7,047,409
Interest	<u>1,181,611</u>	<u>3,887,492</u>	<u>5,069,103</u>
Total expenditures	<u>145,752,539</u>	<u>21,470,881</u>	<u>167,223,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,928,574</u>	<u>(2,401,060)</u>	<u>15,527,514</u>
Other financing sources (uses):			
Transfers in	436,396	2,500,000	2,936,396
Transfers out	(2,874,546)	(436,396)	(3,310,942)
Proceeds from issuance of refunding debt	-	48,048,513	48,048,513
Premium on issuance of refunding debt	-	3,714,498	3,714,498
Payment to refunded escrow agent	<u>-</u>	<u>(52,726,172)</u>	<u>(52,726,172)</u>
Total other financing sources (uses)	<u>(2,438,150)</u>	<u>1,100,443</u>	<u>(1,337,707)</u>
Net change in fund balances	15,490,424	(1,300,617)	14,189,807
Fund balances, July 1, 2015	<u>22,000,824</u>	<u>17,271,626</u>	<u>39,272,450</u>
Fund balances, June 30, 2016	<u>\$ 37,491,248</u>	<u>\$ 15,971,009</u>	<u>\$ 53,462,257</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, 2016

Net change in fund balances - Total Governmental Funds	\$ 14,189,807
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).	\$ 5,132,047
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(8,986,976)
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).	(2,444)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt (Note 6).	5,760,336
Proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were: (Note 6).	(48,048,513)
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).	7,047,409
Payments made to the refunding escrow is other financing use in governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	46,800,000
In government funds, employee retirement incentive program ("ERIP") are recognized when employer contributions are made. In the statement of activities, ERIP costs are recognized on the accrual basis (Note 6).	219,220
Accretion of interest is not recorded in the governmental funds. It increases the long-term liabilities in the statement of met position (Note 6).	(1,333,634)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	201,143
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).	(3,326,081)

(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, 2016

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):	\$	(685,880)	
Activities of the internal service funds are reported with governmental activities.		(140,415)	
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).		(1,710,538)	
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>131,708</u>	\$ <u>1,057,382</u>
Change in net position of governmental activities			<u>\$ 15,247,189</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

	<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		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 670,993	\$ 1,335,947
Cash on hand and in banks	-	739,629
Due from other funds	-	374,546
Receivables	<u>2,110</u>	<u>146,505</u>
Current assets	<u>673,103</u>	<u>2,596,627</u>
DEFERRED OUTFLOWS OR RESOURCES		
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>65,021</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	14,663	7,125
Due to other funds	5,679	3,700
Claims liability	<u>-</u>	<u>2,585,802</u>
Current liabilities	<u>20,342</u>	<u>2,596,627</u>
Net pension liability - long-term	<u>367,858</u>	<u>-</u>
Total liabilities	<u>388,200</u>	<u>2,596,627</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>35,192</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>\$ 314,732</u>	<u>\$ -</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, 2016

	<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	\$ -	\$ 19,026,405
Other local revenues	<u>668,064</u>	<u>2,574,570</u>
Total operating revenues	<u>668,064</u>	<u>21,600,975</u>
Operating expenses:		
Classified salaries	346,194	-
Employee benefits	154,745	121,562
Books and supplies	12,123	-
Contract services and operating expenses	<u>30,311</u>	<u>22,008,182</u>
Total operating expenses	<u>543,373</u>	<u>22,129,744</u>
Operating income (loss)	<u>124,691</u>	<u>(528,769)</u>
Non-operating revenue:		
Interest income	7,716	13,808
Transfer in	<u>-</u>	<u>374,546</u>
Total non-operating revenue	<u>7,716</u>	<u>388,354</u>
Change in net position	132,407	(140,415)
Total net position, July 1, 2015	<u>182,325</u>	<u>140,415</u>
Total net position, June 30, 2016	<u>\$ 314,732</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	<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	\$ 667,692	\$ -
Cash received from self-insurance premiums	-	21,458,754
Cash paid for services	(499,865)	(21,816,090)
Cash paid for other expenses	<u>(51,238)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>116,589</u>	<u>(357,336)</u>
Cash flows provided by investing activities:		
Interest income received	<u>7,716</u>	<u>13,809</u>
Increase (decrease) in cash and investments	124,305	(343,527)
Cash and investments, July 1, 2015	<u>546,688</u>	<u>2,419,103</u>
Cash and investments, June 30, 2016	<u>\$ 670,993</u>	<u>\$ 2,075,576</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	<u>\$ 124,691</u>	<u>\$ (528,769)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Receivables	(372)	(142,221)
Due from other funds	-	3,700
Deferred outflows of resources - pensions	(32,541)	-
Increase (decrease) in:		
Accounts payable	(1,567)	(199,740)
Pension liability	101,537	-
Due to other funds	(7,237)	-
Claims liability	-	509,694
Deferred inflows of resources - pensions	<u>(67,922)</u>	<u>-</u>
Total adjustments	<u>(8,102)</u>	<u>171,433</u>
Net cash provided by (used in) operating activities	<u>\$ 116,589</u>	<u>\$ (357,336)</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2016

ASSETS

Cash on hand and in banks (Note 2) \$ 707,128

LIABILITIES

Due to student groups \$ 707,128

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

(Continued)

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.

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 Building, Capital Facilities and County School Facilities Funds.

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.

4 - 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.

5 - 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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 - 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, 2016.

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.

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 shortened 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. Amortization for the year ended June 30, 2016 totaled \$651,836.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Amortization for the year ended June 30, 2016 totaled \$2,186,500.

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. Investments are reported at fair value.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 10,554,904</u>	<u>\$ 4,341,850</u>	<u>\$ 14,896,754</u>
Deferred inflows of resources	<u>\$ 8,382,000</u>	<u>\$ 2,350,000</u>	<u>\$ 10,732,000</u>
Net pension liability	<u>\$ 85,339,000</u>	<u>\$ 24,564,000</u>	<u>\$109,903,000</u>
Pension expense	<u>\$ 11,595,575</u>	<u>\$ 2,377,718</u>	<u>\$ 13,973,293</u>

Based on the implementation of GASB Statement No. 68, the District has allocated 1.50 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 \$512,656 is for the earned but unused benefits.

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 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.

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, 2016, the District had no committed fund balances.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, no such designation has occurred. At June 30, 2016, the District had no committed fund balances.

E - Unassigned Fund Balance:

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

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

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, 2016, 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.

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 53,796,380	\$ 1,335,947	\$ 55,132,327	\$ 670,993	\$ -
Deposits:					
Cash in revolving fund	25,000	-	25,000	-	-
Cash on hand and in banks	124,518	739,629	864,147	-	707,128
Total deposits	149,518	739,629	889,147	-	707,128
Cash with Fiscal Agent	1,313,357	-	1,313,357	-	-
Total cash and investments	\$ 55,259,255	\$ 2,075,576	\$ 57,334,831	\$ 670,993	\$ 707,128

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, 2016, 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, 2016, the carrying amount of the District's accounts was \$1,596,275, and the bank balances was \$1,602,255, of which \$693,678 was FDIC insured.

Cash with Fiscal Agent: Cash with Fiscal Agent in the General, Building, and Capital Facilities Funds totaling \$1,313,357 are the proceeds from Tax Revenue Anticipation Notes, 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, 2016, the District had no significant interest rate risk related to cash and investments held.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2016, the District had no concentration of credit risk.

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, 2016 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 419,644	\$ 416,198
Non-Major Funds:		
Adult Education	28,809	5,920
Child Development	8,340	18,481
Cafeteria	6,728	383,646
Capital Facilities	-	4,443
Proprietary Funds:		
Campus Connection	-	5,679
Self-Insurance	<u>374,546</u>	<u>3,700</u>
Totals	<u>\$ 838,067</u>	<u>\$ 838,067</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 2015-16 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for maintenance costs.	\$ 2,500,000
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	380,110
Transfer from the General Fund to the Self Insurance Fund for employee benefits.	374,546
Transfer from the Child Development Fund to the General Fund for indirect costs.	49,182
Transfer from the Adult Education Fund to the General Fund for indirect costs.	<u>7,104</u>
	<u><u>\$ 3,310,942</u></u>

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance July 1, <u>2015</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2016</u>
Non-depreciable:				
Land	\$ 17,768,991	\$ -	\$ -	\$ 17,768,991
Work-in-process	18,018,968	2,617,618	(11,290,615)	9,345,971
Depreciable:				
Land improvements	38,739,417	150,159	-	38,889,576
Buildings and improvements	211,796,745	5,887,730	-	217,684,475
Equipment	<u>20,721,953</u>	<u>7,767,155</u>	<u>(29,100)</u>	<u>28,460,008</u>
Totals, at cost	<u>307,046,074</u>	<u>16,422,662</u>	<u>(11,319,715)</u>	<u>312,149,021</u>
Less accumulated depreciation:				
Land improvements	(6,192,616)	(1,240,509)	-	(7,433,125)
Buildings and improvements	(65,291,830)	(5,187,749)	-	(70,479,579)
Equipment	<u>(10,602,634)</u>	<u>(2,558,718)</u>	<u>26,656</u>	<u>(13,134,696)</u>
Total accumulated depreciation	<u>(82,087,080)</u>	<u>(8,986,976)</u>	<u>26,656</u>	<u>(91,047,400)</u>
Capital assets, net	<u><u>\$ 224,958,994</u></u>	<u><u>\$ 7,435,686</u></u>	<u><u>\$ (11,293,059)</u></u>	<u><u>\$ 221,101,621</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities for the year ended June 30, 2016 as follows:

Governmental activities:	
Instruction	\$ 7,063,521
Home to school transportation	605,425
Food services	80,170
Ancillary services	3,255
General administration	84,643
Centralized data processing	47,808
Plant services	<u>1,102,154</u>
 Total depreciation expense	 <u>\$ 8,986,976</u>

At June 30, 2016, the District had capital assets acquired from capital leases with an original cost of \$7,088,345. The accumulated depreciation was \$1,973,369 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, 2016 were as follows:

Claims liability at July 1, 2014	\$ 2,020,235
Incurred claims and changes in estimates	18,181,135
Paid claims	<u>(18,125,262)</u>
Claims liability at July 1, 2015	2,076,108
Incurred claims and changes in estimates	20,421,467
Paid claims	<u>(19,911,773)</u>
Claims liability at June 30, 2016	<u>\$ 2,585,802</u>

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 November 2006, the District issued Election of 2004, Series B General Obligation Bonds in the amount of \$14,999,990 to finance the construction, furnishing and equipping of new schools, an athletic stadium and district transportation facility.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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, 2015</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
1998 Series A	5.60 - 6.25%	1998	2018	\$ 21,294,069	\$ 2,880,000	\$ -	\$ 930,000	\$ 1,950,000
2004 Series B	4.5 - 4.125%	2006	2017	14,999,990	635,000	-	300,000	335,000
2008 Series A	5.00 - 5.25%	2009	2020	35,999,923	34,593,353	-	32,623,752	1,969,601
2008 Series B	5.00 - 5.25%	2013	2042	12,999,862	12,999,862	-	-	12,999,862
2014 Refunding	2.00 - 5.00%	2014	2030	22,665,000	21,860,000	-	350,000	21,510,000
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	12,495,000	-	240,000	12,255,000
2016 Refunding	2.00 - 5.00%	2016	2033	<u>34,380,000</u>	<u>-</u>	<u>34,380,000</u>	<u>-</u>	<u>34,380,000</u>
				<u>\$162,331,715</u>	<u>\$ 92,961,086</u>	<u>\$ 34,380,000</u>	<u>\$ 34,443,752</u>	<u>\$ 92,897,334</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 960,000	\$ 110,456	\$ 1,070,456
2018	<u>990,000</u>	<u>48,053</u>	<u>1,038,053</u>
	<u>\$ 1,950,000</u>	<u>\$ 158,509</u>	<u>\$ 2,108,509</u>

The annual payments required to amortize the 2004, Series B, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 335,000</u>	<u>\$ 6,700</u>	<u>\$ 341,700</u>

The annual payments required to amortize the 2008, Series A, General Obligation Bonds, outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 327,550	\$ 349,200	\$ 676,750
2018	345,180	426,570	771,750
2019	361,871	514,878	876,749
2020	<u>935,000</u>	<u>23,375</u>	<u>958,375</u>
	<u>\$ 1,969,601</u>	<u>\$ 1,314,023</u>	<u>\$ 3,283,624</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2008, Series B, General Obligation Bonds, outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2032-2036	\$ 3,488,355	\$ 13,266,227	\$ 16,754,582
2037-2041	6,784,358	22,701,460	29,485,818
2042-2043	<u>2,727,149</u>	<u>8,079,480</u>	<u>10,806,629</u>
	<u>\$ 12,999,862</u>	<u>\$ 44,047,167</u>	<u>\$ 57,047,029</u>

The annual payments required to amortize the 2014 General Obligation Refunding Bonds outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	480,000	1,024,769	1,504,769
2019	620,000	1,010,369	1,630,369
2020	760,000	985,569	1,745,569
2021	925,000	955,169	1,880,169
2022-2026	7,735,000	3,926,094	11,661,094
2027-2030	<u>10,990,000</u>	<u>1,395,636</u>	<u>12,385,636</u>
	<u>\$ 21,510,000</u>	<u>\$ 9,297,606</u>	<u>\$ 30,807,606</u>

The annual payments required to amortize the 2008, Series C, General Obligation Bonds, outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 262,006	\$ 262,006
2018	-	262,006	262,006
2019	-	262,006	262,006
2020	-	262,006	262,006
2021	25,000	261,756	286,756
2022-2026	415,000	1,284,956	1,699,956
2027-2031	1,095,000	1,170,922	2,265,922
2032-2036	770,179	2,337,071	3,107,250
2037-2041	1,772,692	2,162,784	3,935,476
2042-2045	<u>3,420,000</u>	<u>327,500</u>	<u>3,747,500</u>
	<u>\$ 7,497,871</u>	<u>\$ 8,593,013</u>	<u>\$ 16,090,884</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2014 Refunding General Obligation Bonds, Series B, outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 517,619	\$ 517,619
2018	345,000	512,444	857,444
2019	355,000	500,169	855,169
2020	375,000	485,569	860,569
2021	395,000	468,194	863,194
2022-2026	2,225,000	2,027,719	4,252,719
2027-2031	5,255,000	1,468,188	6,723,188
2032	<u>3,305,000</u>	<u>64,464</u>	<u>3,369,464</u>
	<u>\$ 12,255,000</u>	<u>\$ 6,044,366</u>	<u>\$ 18,299,366</u>

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 205,787	\$ 205,787
2018	-	1,255,650	1,255,650
2019	-	1,255,650	1,255,650
2020	-	1,255,650	1,255,650
2021	1,295,000	1,255,650	2,550,650
2022-2026	9,450,000	5,116,750	14,566,750
2027-2031	15,185,000	2,862,100	18,047,100
2032-2033	<u>8,450,000</u>	<u>385,350</u>	<u>8,835,350</u>
	<u>\$ 34,380,000</u>	<u>\$ 13,592,587</u>	<u>\$ 47,972,587</u>

At June 30, 2016, \$32,320,000 of bonds outstanding are considered defeased.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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 \$5,044,362.

Although the advance refundings resulted in the recognition of an accounting loss of \$5,189,791 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$5,776,507 over the next 18 years and obtained an economic gain of \$5,044,362.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	\$ 53,749,094
New debt service cash flows	<u>47,972,587</u>
	<u>\$ 5,776,507</u>

Certificates of Participation: In December 1998, the District issued Refunding Certificates of Participation in the amount of \$19,285,000.

In January 2003, the District issued Certificates of Participation in the amount of \$4,700,000 to finance the acquisition of land to be used for a comprehensive K-12 school campus.

In January 2006, the District issued Certificates of Participation in the amount of \$5,575,000.

In 2007, the District issued Certification 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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

<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, 2015</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
1998 COPs	3.0 - 4.7%	1998	2016	\$ 19,385,000	\$ 610,000	\$ -	\$ 610,000	\$ -
2003 COPs	2.0 - 4.5%	2003	2018	4,700,000	1,220,000	-	1,220,000	-
2006 COPs	2.0 - 4.25%	2006	2024	5,575,000	3,380,000	-	3,380,000	-
2007 COPs	4.1 - 4.7%	2007	2028	20,350,000	19,855,000	-	10,720,000	9,135,000
2016 Refunding COPs	2.21%	2016	2027	<u>13,668,513</u>	<u>-</u>	<u>13,668,513</u>	<u>-</u>	<u>13,668,513</u>
				<u>\$ 63,678,513</u>	<u>\$ 25,065,000</u>	<u>\$ 13,668,513</u>	<u>\$ 15,930,000</u>	<u>\$ 22,803,513</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2007 Certificates of Participation outstanding as of June 30, 2016, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 775,000	\$ 406,459	\$ 1,181,459
2018	1,265,000	365,659	1,630,659
2019	525,000	327,234	852,234
2020	550,000	302,659	852,659
2021	570,000	279,239	849,239
2022-2026	3,870,000	911,675	4,781,675
2027-2028	<u>1,580,000</u>	<u>66,347</u>	<u>1,646,347</u>
	<u>\$ 9,135,000</u>	<u>\$ 2,659,272</u>	<u>\$ 11,794,272</u>

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,127,511	\$ 214,563	\$ 1,342,074
2018	644,474	273,595	918,069
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
2022-2026	6,620,450	535,844	7,156,294
2027	<u>1,250,000</u>	<u>13,813</u>	<u>1,263,813</u>
	<u>\$ 13,668,513</u>	<u>\$ 1,714,294</u>	<u>\$ 15,382,807</u>

At June 30, 2016 \$10,590,000 of COPS outstanding are considered defeased.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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 \$1,629,769.

Although the advance refundings resulted in the recognition of an accounting loss of \$736,381 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$1,842,639 over the next 10 years and obtained an economic gain of \$1,629,769.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	\$ 17,225,446
New debt service cash flows	<u>15,382,807</u>
	<u><u>\$ 1,842,639</u></u>

Capital Lease Obligations: In October 2013, The District entered into a capital lease agreement with Key Government Finance for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 274,765
2018	<u>274,765</u>
Total payments	549,530
Less amount representing interest	<u>(22,917)</u>
Net present value of minimum payments	<u><u>\$ 526,613</u></u>

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, 2016, are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 360,955
2018	360,955
2019	<u>360,955</u>
Total payments	1,082,865
Less amount representing interest	<u>(39,992)</u>
Net present value of minimum payments	<u><u>\$ 1,042,873</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In January 2014, The District entered into a capital lease agreement with AT&T Capital Services, Inc. for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	
2017	\$ <u>58,529</u>
Less amount representing interest	<u>(484)</u>
Net present value of minimum payments	<u>\$ 58,045</u>

In October 2014, The District entered into a capital lease agreement with AT&T Mobility Corporation. for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 1,253,644
2018	<u>417,881</u>
Total payments	1,671,525
Less amount representing interest	<u>(29,197)</u>
Net present value of minimum payments	<u>\$ 1,642,328</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>
2017	\$ 401,470
2018	401,470
2019	401,470
2020	401,470
2021	401,470
2022-2026	2,007,354
2027-2031	<u>2,007,354</u>
Total payments	<u>\$ 6,022,058</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation					
Bonds	\$ 92,961,086	\$ 34,380,000	\$ 34,443,752	\$ 92,897,334	\$ 1,622,550
Bond premiums	6,608,194	3,714,498	388,417	9,934,275	368,516
Accreted interest	4,748,973	1,333,634	1,191,248	4,891,359	1,292,450
Certificates of Participation	25,065,000	13,668,513	15,930,000	22,803,513	1,902,511
Capitalized lease obligations	5,150,796	-	1,880,937	3,269,859	1,885,299
QZABs	6,423,529	-	401,471	6,022,058	401,470
Other postemployment benefits (Note 10)	13,211,647	2,955,326	1,244,788	14,922,185	-
Early retirement incentive program	219,220	-	219,220	-	-
Compensated absences	644,364	12,692	144,400	512,656	-
Net pension liability (Notes 8 and 9)	<u>87,948,679</u>	<u>21,586,463</u>	<u>-</u>	<u>109,535,142</u>	<u>-</u>
Totals	<u>\$ 242,981,488</u>	<u>\$ 77,651,126</u>	<u>\$ 55,844,233</u>	<u>\$ 264,788,381</u>	<u>\$ 7,472,796</u>
<u>Business-Type Activities:</u>					
Net pension liability (Notes 8 and 9)	<u>\$ 266,321</u>	<u>\$ 101,537</u>	<u>\$ -</u>	<u>\$ 367,858</u>	<u>\$ -</u>

Payments on the General Obligation Bonds are made from the Building Fund and Bond Interest Redemption Fund. Payments on the Certificates of Participation, QZABs and capitalized lease obligations are made from the General 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, 2016

NOTE 7 - FUND BALANCES (Continued)

Governmental fund balances, by category, at June 30, 2016 consisted of the following:

	<u>General Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:			
Revolving cash fund	\$ 25,000	\$ -	\$ 25,000
Stores inventory	<u>6,671</u>	<u>50,894</u>	<u>57,565</u>
Subtotal nonspendable	<u>31,671</u>	<u>50,894</u>	<u>82,565</u>
Restricted:			
Legally restricted programs	4,123,861	6,244,377	10,368,238
Capital projects	-	5,784,941	5,784,941
Debt service	<u>-</u>	<u>3,890,797</u>	<u>3,890,797</u>
Subtotal restricted	<u>4,123,861</u>	<u>15,920,115</u>	<u>20,043,976</u>
Unassigned:			
Designated for economic uncertainties	7,409,535	-	7,409,535
Undesignated	<u>25,926,181</u>	<u>-</u>	<u>25,926,181</u>
Subtotal unassigned	<u>33,335,716</u>	<u>-</u>	<u>33,335,716</u>
 Total fund balances	 <u>\$ 37,491,248</u>	 <u>\$ 15,971,009</u>	 <u>\$ 53,462,257</u>

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

General Information about the State Teachers' Retirement Plan

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

(Continued)

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

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

CalSTRS 2% at 60

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

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

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:

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

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.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 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, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
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, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$6,639,904 to the plan for the fiscal year ended June 30, 2016.

State - 7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

<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, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 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 shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

At June 30, 2016, 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	\$ 85,339,000
State's proportionate share of the net pension liability associated with the District	<u>45,135,000</u>
Total	<u><u>\$ 130,474,000</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the District's proportion was 0.127 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$11,595,575 and revenue of \$4,311,086 for support provided by the State. At June 30, 2016, 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	\$ -	\$ 1,426,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	6,956,000
Changes in proportion and differences between District contributions and proportionate share of contributions	3,915,000	-
Contributions made subsequent to measurement date	<u>6,639,904</u>	<u>-</u>
Total	<u><u>\$ 10,554,904</u></u>	<u><u>\$ 8,382,000</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

\$6,639,904 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, 2017. 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>	
2017	\$ (2,464,433)
2018	\$ (2,464,433)
2019	\$ (2,464,434)
2020	\$ 2,095,300
2021	\$ 415,500
2022	\$ 415,500

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, 2015 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 STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-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%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.60 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 Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$128,855,000</u>	<u>\$ 85,339,000</u>	<u>\$ 49,173,000</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.

(Continued)

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

General Information about the Public Employer’s Retirement Fund B

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

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

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.

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, 2016 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$2,334,850 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$24,564,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the District’s proportion was 0.167 percent, which was an increase of 0.010 percent from its proportion measured as of June 30, 2014.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,377,718. At June 30, 2016, 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	\$ 1,404,000	\$ -
Changes of assumptions	-	1,509,000
Net differences between projected and actual earnings on investments	-	841,000
Changes in proportion and differences between District contributions and proportionate share of contributions	603,000	-
Contributions made subsequent to measurement date	<u>2,334,850</u>	<u>-</u>
Total	<u>\$ 4,341,850</u>	<u>\$ 2,350,000</u>

\$2,334,850 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2017	\$ (130,250)
2018	\$ (130,250)
2019	\$ 127,750
2020	\$ (210,250)

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, 2015 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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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, 2014 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.

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</u>
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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 discount rate was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 39,981,000</u>	<u>\$ 24,564,000</u>	<u>\$ 11,745,000</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

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 District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 3,200,901
Interest on net OPEB obligation	495,437
Adjustment to annual required contribution	<u>(741,012)</u>
Annual OPEB cost (expense)	2,955,326
Contributions made	<u>(1,244,788)</u>
Increase in net OPEB obligation	1,710,538
Net OPEB obligation - beginning of year	<u>13,211,647</u>
Net OPEB obligation - end of year	<u>\$ 14,922,185</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 2,720,841	46.8%	\$ 11,442,284
June 30, 2015	\$ 3,011,412	41.2%	\$ 13,211,647
June 30, 2016	\$ 2,955,326	42.1%	\$ 14,922,185

As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$40,090,341, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$40,090,341. The covered payroll (annual payroll of active employees covered by the Plan) was \$69,684,379, and the ratio of the UAAL to the covered payroll was 57.5 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date. The medical cost inflation trend used in this valuation 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 2018 and later. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, is 29 years.

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 off June 30, 2015:

Total assets	\$ 3,187,114
Total liabilities	\$ 1,050,186
Net position	\$ 2,136,928
Total revenues	\$ 3,260,781
Total expenses	\$ 3,102,725
Change in net position	\$ 158,056

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, 2015:

Total assets	\$ 13,458,519
Total liabilities	\$ 7,434,020
Net position	\$ 6,024,499
Total revenues	\$ 4,808,707
Total expenses	\$ 4,290,641
Change in net position	\$ 518,066

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.

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, 2016, the District has approximately \$2.6 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, 2016

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula				
State apportionment	\$ 116,566,387	\$ 114,901,206	\$ 113,989,189	\$ (912,017)
Local sources	<u>11,646,352</u>	<u>14,085,398</u>	<u>14,684,950</u>	<u>599,552</u>
Total LCFF	<u>128,212,739</u>	<u>128,986,604</u>	<u>128,674,139</u>	<u>(312,465)</u>
Federal sources	8,581,337	8,974,226	7,955,423	(1,018,803)
Other state sources	11,071,623	16,247,806	17,621,388	1,373,582
Other local sources	<u>7,295,651</u>	<u>9,430,166</u>	<u>9,430,163</u>	<u>(3)</u>
Total revenues	<u>155,161,350</u>	<u>163,638,802</u>	<u>163,681,113</u>	<u>42,311</u>
Expenditures:				
Current:				
Certificated salaries	62,783,698	63,094,710	62,569,215	525,495
Classified salaries	20,578,630	20,788,659	19,748,379	1,040,280
Employee benefits	30,109,778	31,922,602	33,178,090	(1,255,488)
Books and supplies	10,222,340	9,981,352	6,948,786	3,032,566
Contract services and operating expenditures	16,321,384	17,575,283	14,850,515	2,724,768
Other outgo	1,087,469	1,043,582	962,716	80,866
Capital outlay	2,379,467	3,872,261	2,915,524	956,737
Debt service:				
Principal retirement	2,996,232	2,996,192	3,397,703	(401,511)
Interest	<u>1,621,423</u>	<u>1,621,423</u>	<u>1,181,611</u>	<u>439,812</u>
Total expenditures	<u>148,100,421</u>	<u>152,896,064</u>	<u>145,752,539</u>	<u>7,143,525</u>
Excess of revenues over expenditures	<u>7,060,929</u>	<u>10,742,738</u>	<u>17,928,574</u>	<u>7,185,836</u>
Other financing sources:				
Transfers in	588,908	480,950	436,396	(44,554)
Transfers out	<u>(2,500,000)</u>	<u>(2,874,545)</u>	<u>(2,874,546)</u>	<u>(1)</u>
Total other financing sources	<u>(1,911,092)</u>	<u>(2,393,595)</u>	<u>(2,438,150)</u>	<u>(44,555)</u>
Net change in fund balance	5,149,837	8,349,143	15,490,424	7,141,281
Fund balance, July 1, 2015	<u>22,000,824</u>	<u>22,000,824</u>	<u>22,000,824</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 27,150,661</u>	<u>\$ 30,349,967</u>	<u>\$ 37,491,248</u>	<u>\$ 7,141,281</u>

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Schedule of Funding Progress			Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio		
July 1, 2009	\$ -	\$35.5 million	\$35.5 million	0%	\$59.2 million	60.0%
July 1, 2011	\$ -	\$36.7 million	\$36.7 million	0%	\$62.3 million	58.8%
July 1, 2014	\$ -	\$40.1 million	\$40.1 million	0%	\$69.7 million	57.5%

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2016

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.120%	0.127%
District's proportionate share of the net pension liability	\$ 70,408,000	\$ 85,339,000
State's proportionate share of the net pension liability associated with the District	<u>42,516,000</u>	<u>45,135,000</u>
Total net pension liability	<u>\$ 112,924,000</u>	<u>\$ 130,474,000</u>
District's covered-employee payroll	\$ 53,665,000	\$ 58,834,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

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

All years prior to 2015 are not available.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.157%	0.167%
District's proportionate share of the net pension liability	\$ 17,807,000	\$ 24,564,000
District's covered-employee payroll	\$ 16,466,000	\$ 18,450,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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, 2016

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 5,224,489	\$ 6,639,904
Contributions in relation to the contractually required contribution	<u>5,224,489</u>	<u>6,639,904</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 58,834,000	\$ 61,882,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,171,718	\$ 2,334,850
Contributions in relation to the contractually required contribution	<u>2,171,718</u>	<u>2,334,850</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,450,000	\$ 19,708,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

CENTRAL UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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 expenditures over appropriations for the year ended June 30, 2016 were as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Employee benefits	\$ 1,255,488

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

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There were no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

CENTRAL UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
ASSETS									
Cash and investments:									
Cash in County Treasury	\$ 516,432	\$ 145,619	\$ 3,188,580	\$ 2,386,293	\$ 1,542,929	\$ 3,055,123	\$ 55,592	\$ 3,877,332	\$ 14,767,900
Cash on hand and in banks	-	-	109,494	-	-	-	-	-	109,494
Cash with Fiscal Agent	-	-	-	-	-	1,244,688	-	-	1,244,688
Receivables	333,097	82,974	1,125,493	8,161	5,234	9,523	185	13,465	1,578,132
Due from other funds	28,809	8,340	6,728	-	-	-	-	-	43,877
Stores inventory	-	-	50,894	-	-	-	-	-	50,894
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 878,338</u>	<u>\$ 236,933</u>	<u>\$ 4,481,189</u>	<u>\$ 2,394,454</u>	<u>\$ 1,548,163</u>	<u>\$ 4,309,334</u>	<u>\$ 55,777</u>	<u>\$ 3,890,797</u>	<u>\$ 17,794,985</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 158,782	\$ 116,671	\$ 170,038	\$ 842,105	\$ 91,728	\$ 32,162	\$ -	\$ -	\$ 1,411,486
Due to other funds	5,920	18,481	383,646	-	-	4,443	-	-	412,490
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>164,702</u>	<u>135,152</u>	<u>553,684</u>	<u>842,105</u>	<u>91,728</u>	<u>36,605</u>	<u>-</u>	<u>-</u>	<u>1,823,976</u>
Fund balances:									
Nonspendable	-	-	50,894	-	-	-	-	-	50,894
Restricted	713,636	101,781	3,876,611	1,552,349	1,456,435	4,272,729	55,777	3,890,797	15,920,115
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>713,636</u>	<u>101,781</u>	<u>3,927,505</u>	<u>1,552,349</u>	<u>1,456,435</u>	<u>4,272,729</u>	<u>55,777</u>	<u>3,890,797</u>	<u>15,971,009</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 878,338</u>	<u>\$ 236,933</u>	<u>\$ 4,481,189</u>	<u>\$ 2,394,454</u>	<u>\$ 1,548,163</u>	<u>\$ 4,309,334</u>	<u>\$ 55,777</u>	<u>\$ 3,890,797</u>	<u>\$ 17,794,985</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, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
Revenues:									
Federal sources	\$ 443,909	\$ -	\$ 6,701,745	\$ -	-	\$ -	\$ -	\$ -	\$ 7,145,654
Other state sources	759,944	867,865	518,044	-	-	-	-	97,132	2,242,985
Other local sources	429,839	3,472	1,031,331	21,691	26,100	1,780,906	753	6,387,090	9,681,182
Total revenues	1,633,692	871,337	8,251,120	21,691	26,100	1,780,906	753	6,484,222	19,069,821
Expenditures:									
Current:									
Certificated salaries	455,563	32,032	-	-	-	-	-	-	487,595
Classified salaries	221,870	381,127	2,180,704	-	-	160,088	-	-	2,943,789
Employee benefits	223,291	112,752	845,259	-	-	51,505	-	-	1,232,807
Books and supplies	40,215	166,633	4,148,467	-	8,880	11,785	-	-	4,375,980
Contract services and operating expenditures	179,069	68,738	264,120	58,820	614,220	1,974,648	-	-	3,159,615
Capital outlay	-	1,700	99,771	914,901	516,812	200,713	-	-	1,733,897
Debt service:									
Principal retirement	-	-	-	-	-	334,706	-	3,315,000	3,649,706
Interest	-	-	-	-	-	64,501	-	3,822,991	3,887,492
Total expenditures	1,120,008	762,982	7,538,321	973,721	1,139,912	2,797,946	-	7,137,991	21,470,881
Excess (deficiency) of revenues over (under) expenditures	513,684	108,355	712,799	(952,030)	(1,113,812)	(1,017,040)	753	(653,769)	(2,401,060)
Other financing sources (uses):									
Transfers in	-	-	-	2,500,000	-	-	-	-	2,500,000
Transfers out	(7,104)	(49,182)	(380,110)	-	-	-	-	-	(436,396)
Payment to refunded escrow agent	-	-	-	-	(37,509,791)	(15,216,381)	-	-	(52,726,172)
Proceeds from sale of bonds	-	-	-	-	34,380,000	13,668,513	-	-	48,048,513
Premium on sale of bonds	-	-	-	-	3,714,498	-	-	-	3,714,498
Total other financing sources (uses)	(7,104)	(49,182)	(380,110)	2,500,000	584,707	(1,547,868)	-	-	1,100,443
Net change in fund balances	506,580	59,173	332,689	1,547,970	(529,105)	(2,564,908)	753	(653,769)	(1,300,617)
Fund balances, July 1, 2015	207,056	42,608	3,594,816	4,379	1,985,540	6,837,637	55,024	4,544,566	17,271,626
Fund balances, June 30, 2016	\$ 713,636	\$ 101,781	\$ 3,927,505	\$ 1,552,349	\$ 1,456,435	\$ 4,272,729	\$ 55,777	\$ 3,890,797	\$ 15,971,009

CENTRAL UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 201,792	\$ 727,002	\$ 685,040	\$ 243,754
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to student groups	\$ 201,792	\$ 727,002	\$ 685,040	\$ 243,754
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ 99,397	\$ 296,653	\$ 303,851	\$ 92,199
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to student groups	\$ 99,397	\$ 296,653	\$ 303,851	\$ 92,199
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ 350,562	\$ 937,692	\$ 917,079	\$ 371,175
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to student groups	\$ 350,562	\$ 937,692	\$ 917,079	\$ 371,175
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 651,751	\$ 1,961,347	\$ 1,905,970	\$ 707,128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to student groups	\$ 651,751	\$ 1,961,347	\$ 1,905,970	\$ 707,128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CENTRAL UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2016

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 grades kindergarten through twelve and operates 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, 2016 was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Richard Atkins	President	2018
Cesar Granda	Vice President	2018
Ruben Coronado	Clerk	2018
Cindy Berube	Member	2016
Terry Cox	Member	2016
Rama Dawar	Member	2018
Leonard G. Ramirez	Member	2016

The Superintendent's Executive Staff at June 30, 2016 was comprised of the following:

Mark G. Sutton
Superintendent

Kelly Porterfield
Assistant Superintendent, Chief Business Officer

Jack Kelejian
Assistant Superintendent, Human Resources

Laurel Ashlock, Ed D
Assistant Superintendent, Chief Academic Officer

Ketti Davis
Assistant Superintendent, Professional Development

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2016

	<u>Second Period Report</u>	<u>Second Period Report Revised</u>	<u>Annual Report</u>
Elementary:			
Transitional Kindergarten through Third	4,709	4,711	4,708
Fourth through Sixth	3,609	3,610	3,605
Seventh and Eighth	2,392	2,395	2,388
Special Education	3	5	6
Community Day School	<u>13</u>	<u>13</u>	<u>13</u>
Subtotal Elementary	<u>10,726</u>	<u>10,734</u>	<u>10,720</u>
Secondary:			
Ninth through Twelfth	4,099	4,100	4,077
Special Education	3	3	3
Community Day School	16	16	16
Continuation Education	<u>102</u>	<u>102</u>	<u>101</u>
Subtotal Secondary	<u>4,220</u>	<u>4,221</u>	<u>4,197</u>
District Totals	<u><u>14,946</u></u>	<u><u>14,955</u></u>	<u><u>14,917</u></u>

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2016

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2015-2016 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	51,525	180	In Compliance
Grade 1	50,400	56,025	180	In Compliance
Grade 2	50,400	56,025	180	In Compliance
Grade 3	50,400	56,025	180	In Compliance
Grade 4	54,000	56,025	180	In Compliance
Grade 5	54,000	56,025	180	In Compliance
Grade 6	54,000	56,025	180	In Compliance
Grade 7	54,000	57,645	180	In Compliance
Grade 8	54,000	57,645	180	In Compliance
Grade 9	64,800	65,000	180	In Compliance
Grade 10	64,800	65,000	180	In Compliance
Grade 11	64,800	65,000	180	In Compliance
Grade 12	64,800	65,000	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, 2016

<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>			
NCLB: Title I Programs:			
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	\$ 4,203,149
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>8,429</u>
Subtotal Title I Programs			<u>4,211,578</u>
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	2,393,223
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	105,848
84.173	Special Ed: IDEA Preschool Grant, Part B, Sec. 619	13430	<u>62,240</u>
Subtotal Special Education Cluster			<u>2,561,311</u>
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education and ESL	14508	117,402
84.002	Adult Education: Secondary Education	13978	162,291
84.002A	Adult Education: Adult Education, English Literacy and Civics	14109	<u>15,019</u>
Subtotal Adult Education Programs			<u>294,712</u>
NCLB: Title I, Migrant Education Programs:			
84.011	NCLB: Title I, Migrant Education - Regular	14326	22,554
84.011	NCLB: Title I, Migrant Education - Summer	14326	<u>10,282</u>
Subtotal NCLB: Title I, Migrant Education Programs			<u>32,836</u>
Vocational Education Programs:			
84.048	Vocational Programs: Voc. and Applied Technology Secondary IC, Sec. 131 (Carl Perkins Act)	14894	149,527
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	14893	<u>149,197</u>
Subtotal Vocational Education Programs			<u>298,724</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<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	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	\$ 209,080
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>22,079</u>
	Subtotal Title III Programs		<u>231,159</u>
84.330B	Advanced Placement/International Baccalaureate	14831	20,828
84.367	NCLB: Title II, Improving Teacher Quality Local Grants	14341	<u>263,336</u>
	Total U.S. Department of Education		<u>7,914,484</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medi-Cal Programs:		
93.778	Medi-Cal Billing Option	10013	214,749
93.778	Medi-Cal Administrative Activities (MAA)	10060	<u>187,798</u>
	Subtotal Medi-Cal Programs		<u>402,547</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs (NSL Sec. 4)	13523	<u>7,241,312</u>
	Total Federal Programs		<u>\$ 15,558,343</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, 2016

	<u>Building Fund</u>
June 30, 2016 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 1,315,817
Adjustment to remove duplicate expenditure	<u>140,618</u>
June 30, 2016 Audited Financial Statements Ending Fund Balance	<u>\$ 1,456,435</u>
	 <u>Campus Connection Fund</u>
June 30, 2016 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 297,377
Adjustment to deferred outflows/inflows of resources for the change in proportion and differences between District contributions and proportionate share of contributions	<u>17,355</u>
June 30, 2016 Audited Financial Statements Ending Fund Balance	<u>\$ 314,732</u>

There were no adjustments proposed to any other 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, 2016
(UNAUDITED)

	(Budgeted) <u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$174,835,221</u>	<u>\$164,117,509</u>	<u>\$140,530,939</u>	<u>\$129,250,888</u>
Expenditures	165,912,313	145,752,539	139,462,707	129,208,295
Other uses and transfers out	<u>2,500,000</u>	<u>2,874,546</u>	<u>-</u>	<u>1,118,312</u>
Total outgo	<u>168,412,313</u>	<u>148,627,085</u>	<u>139,462,707</u>	<u>130,326,607</u>
Change in fund balance	<u>\$ 6,422,908</u>	<u>\$ 15,490,424</u>	<u>\$ 1,068,232</u>	<u>\$ (1,075,719)</u>
Ending fund balance	<u>\$ 43,914,156</u>	<u>\$ 37,491,248</u>	<u>\$ 22,000,824</u>	<u>\$ 20,932,592</u>
Available reserves	<u>\$ 41,467,085</u>	<u>\$ 33,335,717</u>	<u>\$ 19,515,531</u>	<u>\$ 6,507,891</u>
Designated for economic uncertainties	<u>\$ 8,396,618</u>	<u>\$ 7,409,535</u>	<u>\$ 6,950,034</u>	<u>\$ 6,507,891</u>
Undesignated fund balance	<u>\$ 33,070,467</u>	<u>\$ 25,926,182</u>	<u>\$ 12,565,497</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>24.6%</u>	<u>22.4%</u>	<u>14.0%</u>	<u>5.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$257,315,585</u>	<u>\$264,788,381</u>	<u>\$243,247,809</u>	<u>\$148,719,968</u>
Average daily attendance at P-2	<u>15,352</u>	<u>15,057</u>	<u>14,861</u>	<u>14,810</u>

The General Fund fund balance has increased by \$15,482,937 over the past three years. The fiscal year 2016-2017 budget projects a increase of \$6,422,908. 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, 2016, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years. The District anticipates an operating surplus in fiscal year 2016-2017.

Total long-term liabilities have increased by \$116,068,413 over the past two years.

Average daily attendance has increased by 247 over the past two years. An increase of 295 ADA is projected for the 2016-2017 fiscal year.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2016

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, 2016

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 Sierra Joint Community College 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, 2016.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 15,101,077
Add: Child Nutrition: School Programs expenditures in excess of revenues	10.555	539,567
Less: Medi-Cal Billing Funds funds not spent	93.778	<u>(82,301)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 15,558,343</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.

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 2016-2017 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1 - PURPOSE OF SCHEDULE (Continued)

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, 2016, 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 *2015-16 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, 2016.

<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
K3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	No, see below
California Clean Energy Jobs Act	Yes
After 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
Immunizations	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 Educator Effectiveness because the District did have expenditures charged to the Educator Effectiveness program 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.

The District submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

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 *2015-16 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 opinion 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 Findings 2016-001 and 2016-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Central Unified School District did not comply with the requirements applicable to the requirements regarding Attendance and Unduplicated Local Control Funding Formula Pupil Counts, respectively. Compliance with such requirements is necessary, in our opinion, for Central Unified School District to comply with state laws and regulations.

(Continued)

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, 2016.

Other Matter

Central Unified School District's responses to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Central Unified School District's responses were not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 *2015-16 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 Horwath LLP

Sacramento, California
December 12, 2016

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, the major fund, and the aggregate remaining fund information of Central Unified School District as of and for the year ended June 30, 2016, 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, 2016.

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.

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)

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 Horwath LLP

Sacramento, California
December 12, 2016

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, 2016. 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, 2016.

(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 Horwath LLP

Sacramento, California
December 12, 2016

FINDINGS AND RECOMMENDATIONS

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	NCLB: Title I Programs

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

Auditee qualified as low-risk auditee? X 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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-001 STATE COMPLIANCE – ATTENDANCE REPORTING (10000)

Criteria

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

Condition

At River Bluff Elementary School one student was improperly claimed for apportionment for a total overstatement of one day.

Effect

The effect of this finding is an overstatement of 0.08 ADA in the TK through third grade span.

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 ensure attendance records are correct.

Corrective Action Plan

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria

Any student who meets the federal income eligibility criteria or is deemed to be categorically eligible for FRPM under the National School Lunch Program (NSLP) will be counted as FRPM-eligible. Except for directly certified and foster students identified through a statewide match, LEAs must submit the appropriate student program (SPRG) records to CALPADS in order for the students to be counted as FRPM-eligible. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b) (3) (C), 44238.02(b)(3)(B), and 41020, Education Code.

Education Code Section 42238.02 (b)(3)(B) - ...determine if the English learner, foster youth, and free or reduced-price meal eligible pupil counts [in CalPADS] are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition

At multiple sites in the District, four students were improperly included in the Free and Reduced Meal Program. There were no supporting documentation that these students were eligible for Free and Reduce meals.

Effect

For the District, the effect of this finding is an extrapolated overstatement of 132 unduplicated pupil counts for FRPM.

Nonpublic, Nonsectarian Schools

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	4	-	-	1	1
Audit adjustments	-	-	-	-	-
Adjusted counts	4	-	-	1	1

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Glacier Point Middle

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	929	684	5	97	786
Audit adjustments	-	(11)	-	-	(11)
Adjusted counts	929	673	5	97	775

Hanh Phan Tilley Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	428	352	6	58	416
Audit adjustments	-	(5)	-	-	(5)
Adjusted counts	428	347	6	58	411

Houghton-Kearney Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	220	105	6	38	149
Audit adjustments	-	(2)	-	-	(2)
Adjusted counts	220	103	6	38	147

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

James K. Polk Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	805	513	13	94	620
Audit adjustments	-	(7)	-	-	(7)
Adjusted counts	805	506	13	94	613

Pathway Elementary Community Day

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	7	5	-	-	5
Audit adjustments	-	-	-	-	-
Adjusted counts	7	5	-	-	5

Central Unified Alternative/Opportunity

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	228	98	11	12	121
Audit adjustments	-	(1)	-	-	(1)
Adjusted counts	228	97	11	12	120

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Pershing Continuation High

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	127	105	2	4	111
Audit adjustments	-	(2)	-	-	(2)
Adjusted counts	127	103	2	4	109

Roosevelt Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	486	299	8	145	452
Audit adjustments	-	(4)	-	-	(4)
Adjusted counts	486	295	8	145	448

William Saroyan Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	709	369	20	54	443
Audit adjustments	-	(5)	-	-	(5)
Adjusted counts	709	364	20	54	438

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Harvest Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	680	383	14	105	502
Audit adjustments	-	(5)	-	-	(5)
Adjusted counts	680	378	14	105	497

Pathway Community Day

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	22	19	-	1	20
Audit adjustments	-	-	-	-	-
Adjusted counts	22	19	-	1	20

Central High East Campus

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	4,142	2,397	57	206	2,660
Audit adjustments	-	(35)	-	-	(35)
Adjusted counts	4,142	2,362	57	206	2,625

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Herndon-Barstow Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	624	295	29	61	385
Audit adjustments	-	(4)	-	-	(4)
Adjusted counts	624	291	29	61	381

Madison Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	652	377	10	222	609
Audit adjustments	-	(5)	-	-	(5)
Adjusted counts	652	372	10	222	604

McKinley Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	810	504	12	185	701
Audit adjustments	-	(7)	-	-	(7)
Adjusted counts	810	497	12	185	694

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Teague Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	710	508	10	167	685
Audit adjustments	-	(7)	-	-	(7)
Adjusted counts	710	501	10	167	678

John Steinbeck Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	775	540	10	147	697
Audit adjustments	-	(8)	-	-	(8)
Adjusted counts	775	532	10	147	689

River Bluff Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	927	412	37	37	486
Audit adjustments	-	(6)	-	-	(6)
Adjusted counts	927	406	37	37	480

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Biola-Pershing Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	217	113	-	98	211
Audit adjustments	-	(2)	-	-	(2)
Adjusted counts	217	111	-	98	209

El Capitan Middle

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	699	508	5	91	604
Audit adjustments	-	(7)	-	-	(7)
Adjusted counts	699	501	5	91	597

Norman Liddell Elementary

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	698	284	31	66	381
Audit adjustments	-	(4)	-	-	(4)
Adjusted counts	698	280	31	66	377

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Rio Vista Middle

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	818	358	6	18	382
Audit adjustments	-	(5)	-	-	(5)
Adjusted counts	818	353	6	18	377

District wide total

Unduplicated Pupil Count Based On:	Enrollment Count	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Total
As certified by CalPads	15,717	9,228	292	1,907	11,427
Audit adjustments	-	(132)	-	-	(132)
Adjusted counts	15,717	9,096	292	1,907	11,295

Cause

Lack of properly designed and implemented internal controls over LCFF.

Fiscal Impact

The Unduplicated Pupil Percentage for Central Unified School District was originally reported at 68.97% and the revised Unduplicated Pupil Percentage should be revised to 68.69%.

Based on the California Department of Education's workbook for estimating the cost of audit findings for unduplicated pupil counts, the audit adjustment of negative 132 pupil resulted in an estimated cost adjustment of \$122,223.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (Continued)

Recommendation

The District should have procedures in place to verify that the records maintained by the District matches what is reported in CalPADS.

Corrective Action Plan

The District will provide ongoing support and training to staff verifying the reported CalPADS data for unduplicated Local Control Funding Formula Pupil Count against the District's records maintained for Free and Reduced Meal Program and English Learners and Foster Youth.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

CENTRAL UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2015-001</p> <p><u>Condition:</u> At Polk Elementary School, teachers do not receive a receipt upon submitting a collection of student body cash to the office for deposit.</p> <p><u>Recommendation:</u> Teachers should be provided with a receipt upon submitting a collection of cash to the office for deposit.</p>	Implemented.	
<p>2015-002</p> <p><u>Condition:</u> Pay rates for employees are not locked down in the system and access to pay rate change for employees is not restricted.</p> <p><u>Recommendation:</u> We recommend the District restrict master file access to appropriate individuals.</p>	Implemented.	
<p>2015-003</p> <p><u>Condition:</u> Herndon-Barstow Elementary School had two students that were improperly claimed for apportionment for a total overstatement of 2 days.</p> <p><u>Recommendation:</u> The District should ensure attendance records are correct.</p>	Not Implemented.	See Schedule of Audit Findings and Questioned Costs, Finding #2016-001.
<p>2015-004</p> <p><u>Condition:</u> For Herndon-Barstow, the School Accountability Report Card was not consistent with information provided in the facilities inspection tool.</p> <p><u>Recommendation:</u> The District should revise their School Accountability Report Card, so it is consistent with the facilities inspection tool.</p>	Implemented.	