

**CENTRAL UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2017

CENTRAL UNIFIED SCHOOL DISTRICT  
 FINANCIAL STATEMENTS  
 WITH SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2017

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CENTRAL UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017  
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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Central Unified School District  
Fresno, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Central Unified School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Unified School District, as of June 30, 2017, 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.

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(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 15, 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 63 to 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

The schedule of expenditure of federal awards and supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 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.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California  
December 12, 2017



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

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**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, 2017. 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*

*Ketti Davis, Assistant Superintendent, Educational Services · 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.

## ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

### ***Fund Financial Statements***

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

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

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

## ***THE DISTRICT AS TRUSTEE***

### ***Reporting the District's Fiduciary Responsibilities***

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

## THE DISTRICT AS A WHOLE

### Net Position

The District's governmental activities net position was \$26.4 million for the fiscal year ended June 30, 2017, and \$20.3 million for the fiscal year ended June 30, 2016; an increase of \$6.1 million. Of this amount, (\$88.3) million was unrestricted, \$10.1 million was restricted and \$104.6 million was the net investment in capital assets. The negative \$88.3 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 CalSTRS and CalPERS. At June 30, 2017, the District's net pension liability was \$132.4 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
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 98,690,281	\$ 66,254,156	\$ 655,137	\$ 667,424	\$ 99,345,418	\$ 66,921,580	48%
Capital assets	236,679,669	221,101,622			236,679,669	221,101,622	7%
Total Assets	335,369,950	287,355,778	655,137	667,424	336,025,087	288,023,203	17%
Deferred Outflows of Resources	37,161,218	22,648,992	147,114	65,021	37,308,332	22,714,013	64%
Current liabilities	14,563,374	14,661,678	15,314	14,663	14,578,688	14,676,341	-1%
Long-term liabilities	325,997,374	264,788,381	478,858	367,858	326,476,232	265,156,239	23%
Total Liabilities	340,560,748	279,450,059	494,172	382,521	341,054,920	279,832,580	22%
Deferred Inflows of Resources	5,573,808	10,696,808	23,192	35,192	5,597,000	10,732,000	
Net assets invested in capital assets, net of related debt	104,652,370	96,692,964	-	-	104,652,370	96,692,964	8%
Restricted	10,100,856	17,393,747	-	-	10,100,856	17,393,747	-42%
Unrestricted	(88,356,614)	(93,834,313)	284,887	314,732	(88,071,727)	(93,519,581)	-6%
Total Net Position	\$ 26,396,612	\$ 20,252,398	\$ 284,887	\$ 314,732	\$ 26,681,499	\$ 20,567,130	30%

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

### Changes in Net Position

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

Governmental Activities

As reported in the Statement of Activities, the cost of all District governmental activities for FY 2016-2017 was \$205.0 million as compared to \$190.7 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$22.6 million the remaining costs were covered by those who benefited from the programs (\$23.1 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$33.2 million). The District paid for the remaining “public benefit” portion of our governmental activities with \$127.9 million in State and Federal funds and with \$4.3 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 2016-2017 was \$631,198 as compared to \$543,373 in the prior year, which is an increase of \$87,825.

TABLE 2

Statement of Activities	Governmental Activities		Business-Type Activities		Total School District		Change
	2017	2016	2017	2016	2017	2016	
Program Revenues							
Charges for Services	\$ 23,133,039	\$ 23,764,779	\$ 34,953	\$ 43,933	\$ 23,167,992	\$ 23,808,712	-3%
Operating Grants & Contributions	33,167,777	31,979,070	579,238	624,131	33,747,015	32,603,201	4%
Capital Grants and Contributions	-	-	-	-	-	-	-
General Revenues							
Taxes and Subventions	22,589,865	21,143,202	-	-	22,589,865	21,143,202	7%
Federal and State Aid, Unrestricted	127,923,066	125,191,681	-	-	127,923,066	125,191,681	2%
Interagency Revenues	5,200	76,394	-	-	5,200	76,394	-93%
Interest and Investment Earnings	573,816	636,251	4,069	7,716	577,885	643,967	-10%
Special and extraordinary items	-	-	-	-	-	-	0%
Internal Transfers	-	-	-	-	-	-	0%
Other General Revenues	3,768,835	3,202,890	-	-	3,768,835	3,202,890	18%
Enterprise Activities	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 211,161,598</b>	<b>\$ 205,994,267</b>	<b>\$ 618,260</b>	<b>\$ 675,780</b>	<b>\$ 211,779,858</b>	<b>\$ 206,670,047</b>	<b>2%</b>
Expenses							
Instructional Related	\$ 118,542,646	\$ 105,324,012	\$ -	\$ -	\$ 118,542,646	\$ 105,324,012	13%
Student Support Services	27,080,824	24,044,080	-	-	27,080,824	24,044,080	13%
General Administrative	9,251,919	11,232,494	-	-	9,251,919	11,232,494	-18%
Maintenance and Operations	18,453,156	18,034,597	-	-	18,453,156	18,034,597	2%
Other	31,664,766	32,111,894	-	-	31,664,766	32,111,894	-1%
Enterprise Activities	24,073	-	648,105	543,373	672,178	543,373	24%
<b>Total Expenses</b>	<b>\$ 205,017,384</b>	<b>\$ 190,747,077</b>	<b>\$ 648,105</b>	<b>\$ 543,373</b>	<b>\$ 205,665,489</b>	<b>\$ 191,290,450</b>	<b>8%</b>
<b>Change in Net Position</b>	<b>\$ 6,144,214</b>	<b>\$ 15,247,190</b>	<b>\$ (29,845)</b>	<b>\$ 132,407</b>	<b>\$ 6,114,369</b>	<b>\$ 15,379,597</b>	<b>-60%</b>

*District Administration*

*Mark G. Sutton, Superintendent*

*Ketti Davis, Assistant Superintendent, Educational Services · 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*

## ***THE DISTRICT'S FUNDS***

As the District completed FY 2016-2017, governmental funds reported a combined fund balance of \$85.9 million as compared to \$53.5 million in the prior year, which is an increase of \$32.4 million.

**TABLE 3**  
**Comparative Schedule of Fund Balances**

	Fund Balance		\$ Change	% Change
	June 30, 2017	June 30, 2016		
General Fund	\$39,382,160	\$37,491,248	\$1,890,912	5%
Building Fund	\$30,054,081	\$1,456,435	\$28,597,646	1964%
All Non-Major Funds	\$16,424,444	\$14,655,193	\$1,909,870	13%
Totals	\$85,860,685	\$53,462,257	\$32,398,428	61%

As can be seen in the scheduled fund balances (Table 3), the \$85.9 million total fund balance includes the General Fund of \$39.4 million, Building Fund of \$30.1 million and All Non-Major Funds, which includes: the Adult Education, Cafeteria, Child Development, Cafeteria, Deferred Maintenance, Capital Facilities, County School Facilities, Bond Redemption Fund and Self Insurance Funds, of \$16.4 million. The General Fund has historically had a fund balance in excess of the state required reserve of 3%. The \$1.9 million increase was due to ADA growth as well as the change in the LCFF GAP funding percentage.

The Building fund increase of \$28.6 million was due to the sale of Measure B and C bonds.

All Non-Major funds increase of \$1.9 million was primarily due to the premium on the sale of bonds and transfer of funds from the General Fund to the Deferred Maintenance Fund.

### *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 2017. (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 63 ).

## ***CAPITAL ASSET & DEBT ADMINISTRATION***

### ***Capital Assets***

At June 30, 2016, the District had \$221.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation. At June 30, 2017, net fixed assets totaled \$236.7 million. This amount represents a net increase (including additions, deductions and depreciation) of approximately \$15.6 million from last year. The primary increase was due to the Chromebook lease and the Qualified Zone Academy Bonds (QZAB).

**TABLE 4**  
**Governmental Activities,**  
**Capital Assets**

	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 18,816,534	\$ 17,768,991	\$ 1,047,543	6%
Work-in-process	\$ 20,993,626	\$ 9,345,971	\$ 11,647,655	125%
Land improvements	\$ 41,647,037	\$ 38,889,577	\$ 2,757,460	7%
Buildings	\$ 220,443,410	\$ 217,684,476	\$ 2,758,934	1%
Equipment	\$ 35,345,017	\$ 28,460,008	\$ 6,885,009	24%
Capital Assets, cost	\$ 337,245,624	\$ 312,149,022	\$ 25,096,602	163%
Accumulated Depreciation	\$ (100,565,955)	\$ (91,047,400)	\$ (9,518,555)	10%
Governmental Activities Capital Assets, net	\$ 236,679,669	\$ 221,101,622	\$ 15,578,047	7%

## Long-Term Obligations

At the end of this year, the District had \$326.0 million in long-term obligations outstanding versus \$264.8 million last year, an increase of approximately \$61.2 million.

**TABLE 5**  
**Summary of Long-Term Liabilities**

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
General Obligation Bonds	\$ 130,520,289	\$ 102,831,609	\$ 27,688,680	27%
Accreted Interest	\$ 5,025,896	\$ 4,891,359	\$ 134,537	3%
Certificates of Participation	\$ 20,901,002	\$ 22,803,513	\$ (1,902,511)	-8%
Capitalized Lease Obligations	\$ 4,386,404	\$ 3,269,859	\$ 1,116,545	100%
Net OPEB Obligations	\$ 16,180,268	\$ 14,922,185	\$ 1,258,083	8%
QZABs	\$ 15,915,588	\$ 6,022,058	\$ 9,893,530	164%
Compensated Absences	\$ 673,785	\$ 512,656	\$ 161,129	31%
Net Pension Liability	\$ 132,394,142	\$ 109,535,142	\$ 22,859,000	21%
Total Long-Term Liabilities	<u>\$ 325,997,374</u>	<u>\$ 264,788,381</u>	<u>\$ 61,208,993</u>	<u>23%</u>

The change in long-term debt was due mainly to the net increase in net pension liability of \$22.9 million, general obligation of \$27.7 million, QZABs of \$9.9 million, capitalized of \$1.1 million and OPEB liability of \$1.2 million. These increases were offset by the decrease in certificates of participation of \$1.9 million.

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

## ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2017-2018 year, the Governing Board and management used the following criteria:

### **2017-18 ADOPTED BUDGET ASSUMPTIONS**

The 2017-18 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 2017-18 Adopted Budget is based on the following assumptions, as appropriate with conservative estimates for both revenues and expenditures:

11.

## **GENERAL FUND REVENUES**

General Fund revenue is estimated at 165.9 million which is generated from Local Control Funding Formula (LCFF), Federal Revenue, Other State Revenue, Local and Other Revenue and Other Sources. The single largest source of income is LCFF. The LCFF revenue is calculated by the District's Average Daily Attendance (ADA) multiplied by a base amount per grade level (K-3, 4-6, 7-8 and 9-12), a base adjustment add-on multiplied by the District's ADA for class reduction (K-3) and Career Technical Education (9-12) and additional funding based on the demographics for English Learners, Foster Youth and Low Income. The LCFF revenue comes from two sources: State Aid and Local Property tax.

### **LCFF Revenue**

- LCFF Revenue Cost of Living Adjustment (COLA) 1.56%
- Projected District regular ADA of 15,033.75, which is approximately 95% of our demographic study of enrollment
- Projected County Operated ADA of 123.44
- Total combined projected ADA of 15,157.19
- 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 \$144.00 per ADA for unrestricted and \$45.00 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 2016-17 P2 Average Daily Attendance (ADA) at the rate of \$28.42/ADA for K-8 and \$56/ADA for 9-12
- Eliminated one time discretionary funds

### **Other State Revenues**

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

## Local and Other Revenues

- Local grant awards – Regional Occupational Program (ROP), After School Program (ASP), State Water Resource, Aquatics, Co-Curricular Athletics
- Carryover revenues are not budgeted
- Eliminated local grant awards - Birth to 3<sup>rd</sup>, Congestion Mitigation and Air Quality(CMAQ), San Joaquin Valley Air Pollution Control District and Measure C, PBIS, Kaiser grants

## GENERAL FUND EXPENDITURES

The District's general fund total expenditures are estimated at \$170.6 million dollars. Restricted expenditures are estimated at \$37.4 million and unrestricted at \$133.2 million.

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

### Certificated and Classified Salaries

- Salaries increase of 3% per the collective bargaining agreements, step and column increase

### Employee Benefits

- Benefit rates reflect current available rates at the time the budget was prepared, STRS 1.85% increase, PERS 1.643% increase, State Unemployment had no change, Workers Compensation is estimated and Health Insurance annual increase of \$1,272.60 per FTE. The rates used for benefits are as follows:

○ STRS	.14430
○ PERS	.15531
○ Social Security	.062
○ Medicare	.0145
○ Alt Retire	.0375
○ Health/Welfare	\$14,283.54/employee/year
○ SUI	.0005
○ Workers Comp	.01712 est.

### Books, Supplies and Other Materials

- \$220K increase for Tablet replacement and accessories
- \$1.5 M increase to Instructional Materials Textbook Adoption and Supplemental Materials
- Adjustments to restricted expenditures due to the removal of carryover and deferred revenue

### Services/Other Operating Expenses

- Decrease to general funded deferred maintenance projects
- Decrease for one time cost: cost of issuance and grant expense
- Outside Contracts and Service agreements
- Adjustments to restricted expenditures due to the removal of carryover and deferred revenue

### **Capital Outlay**

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

### **Other Outgo**

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

## **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 2017-18 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 and C, 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 \$40.9 million with estimated revenue of \$46.0 million and expenditures of \$72.8 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.

*District Administration*

*Mark G. Sutton, Superintendent*

*Ketti Davis, Assistant Superintendent, Educational Services · 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*

## **BASIC FINANCIAL STATEMENTS**

CENTRAL UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 92,287,740	\$ 703,523	\$ 92,991,263
Receivables	6,239,675	2,669	6,242,344
Internal balances (Note 3)	51,055	(51,055)	-
Stores inventory	90,735	-	90,735
Prepaid expenses	21,076	-	21,076
Non-depreciable capital assets (Note 4)	39,810,160	-	39,810,160
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>196,869,509</u>	<u>-</u>	<u>196,869,509</u>
Total assets	<u>335,369,950</u>	<u>655,137</u>	<u>336,025,087</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - refunding of debt (Note 6)	7,289,463	-	7,289,463
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>29,871,755</u>	<u>147,114</u>	<u>30,018,869</u>
Total deferred outflows of resources	<u>37,161,218</u>	<u>147,114</u>	<u>37,308,332</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	12,249,718	15,314	12,265,032
Unearned revenue	422,585	-	422,585
Self-Insurance claims liability (Note 5)	1,891,071	-	1,891,071
Long-term liabilities (Note 6):			
Due within one year	9,538,270	-	9,538,270
Due after one year	<u>316,459,104</u>	<u>478,858</u>	<u>316,937,962</u>
Total liabilities	<u>340,560,748</u>	<u>494,172</u>	<u>341,054,920</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>5,573,808</u>	<u>23,192</u>	<u>5,597,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	104,652,370	-	104,652,370
Restricted:			
Legally restricted programs	3,962,649	-	3,962,649
Capital projects	1,080,379	-	1,080,379
Debt service	4,784,092	-	4,784,092
Self Insurance	273,736	-	273,736
Unrestricted	<u>(88,356,614)</u>	<u>284,887</u>	<u>(88,071,727)</u>
Total net position	<u>\$ 26,396,612</u>	<u>\$ 284,887</u>	<u>\$ 26,681,499</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

	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	\$ 100,901,374	\$ 356,042	\$ 17,642,379	\$ -	\$ (82,902,953)	\$ -	\$ (82,902,953)
Instruction-related services:							
Supervision of instruction	6,337,414	16,236	2,373,258	-	(3,947,920)	-	(3,947,920)
Instructional library, media and technology	1,720,175	91	52,555	-	(1,667,529)	-	(1,667,529)
School site administration	9,583,683	13,512	860,782	-	(8,709,389)	-	(8,709,389)
Pupil services:							
Home-to-school transportation	5,694,766	2,282	8,029	-	(5,684,455)	-	(5,684,455)
Food services	8,329,654	688,491	6,757,932	-	(883,231)	-	(883,231)
All other pupil services	13,056,404	49	2,023,040	-	(11,033,315)	-	(11,033,315)
General administration:							
Centralized data processing	1,593,407	-	-	-	(1,593,407)	-	(1,593,407)
All other general administration	7,658,512	36,730	1,245,635	-	(6,376,147)	-	(6,376,147)
Plant services	18,453,156	5,944	25,983	-	(18,421,229)	-	(18,421,229)
Ancillary services	23,808,839	21,769,457	39,875	-	(1,999,507)	-	(1,999,507)
Community services	362,384	19,088	67,167	-	(276,129)	-	(276,129)
Enterprise activities	24,073	-	71	-	(24,002)	-	(24,002)
Interest on long-term liabilities	5,355,316	-	-	-	(5,355,316)	-	(5,355,316)
Other outgo	2,138,227	225,117	2,071,071	-	157,961	-	157,961
Total governmental activities	<u>\$ 205,017,384</u>	<u>\$ 23,133,039</u>	<u>\$ 33,167,777</u>	<u>\$ -</u>	<u>(148,716,568)</u>	<u>-</u>	<u>(148,716,568)</u>
Business-type activities:							
Enterprise activities	648,105	34,953	579,238	-	-	(33,914)	(33,914)
Total governmental and business-type activities	<u>\$ 205,665,489</u>	<u>\$ 23,167,992</u>	<u>\$ 33,747,015</u>	<u>\$ -</u>	<u>(148,716,568)</u>	<u>(33,914)</u>	<u>(148,750,482)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					16,303,265	-	16,303,265
Taxes levied for debt service					6,273,483	-	6,273,483
Taxes levied for other specific purposes					13,117	-	13,117
Federal and state aid not restricted to specific purposes					127,923,066	-	127,923,066
Interest and investment earnings					573,816	4,069	577,885
Interagency revenues					5,200	-	5,200
Miscellaneous					3,768,835	-	3,768,835
Total general revenues					<u>154,860,782</u>	<u>4,069</u>	<u>154,864,851</u>
Change in net position					6,144,214	(29,845)	6,114,369
Net position, July 1, 2016					<u>20,252,398</u>	<u>314,732</u>	<u>20,567,130</u>
Net position, June 30, 2017					<u>\$ 26,396,612</u>	<u>\$ 284,887</u>	<u>\$ 26,681,499</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
June 30, 2017

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments:				
Cash in County Treasury	\$ 45,736,925	\$ 29,940,687	\$ 13,029,625	\$ 88,707,237
Cash in revolving fund	25,000	-	-	25,000
Cash on hand and in banks	19,788	-	112,322	132,110
Cash with Fiscal Agent	31,079	-	1,231,720	1,262,799
Receivables	4,182,544	116,194	1,933,413	6,232,151
Due from other funds	506,700	-	1,056,383	1,563,083
Stores inventory	3,688	-	87,047	90,735
Prepaid expenditures	<u>21,076</u>	<u>-</u>	<u>-</u>	<u>21,076</u>
Total assets	<u>\$ 50,526,800</u>	<u>\$ 30,056,881</u>	<u>\$ 17,450,510</u>	<u>\$ 98,034,191</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 9,676,316	\$ 2,800	\$ 559,777	\$ 10,238,893
Unearned revenue	422,585	-	-	422,585
Due to other funds	<u>1,045,739</u>	<u>-</u>	<u>466,289</u>	<u>1,512,028</u>
Total liabilities	<u>11,144,640</u>	<u>2,800</u>	<u>1,026,129</u>	<u>12,173,506</u>
Fund balances:				
Nonspendable	49,764	-	87,047	136,811
Restricted	3,962,649	30,054,081	16,337,397	50,354,127
Unassigned	<u>35,369,747</u>	<u>-</u>	<u>-</u>	<u>35,369,747</u>
Total fund balances	<u>39,382,160</u>	<u>30,054,081</u>	<u>16,424,444</u>	<u>85,860,685</u>
Total liabilities and fund balances	<u>\$ 50,526,800</u>	<u>\$ 30,056,881</u>	<u>\$ 17,450,573</u>	<u>\$ 98,034,191</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, 2017

Total fund balances - Governmental Funds \$ 85,860,685

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 \$337,245,624 and the accumulated depreciation is \$100,565,955 (Note 4). 236,679,669

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, 2017 consisted of (Note 6):

General Obligation Bonds	\$ (120,294,784)	
Bond Premiums	(10,225,505)	
Accreted interest	(5,025,896)	
Capitalized lease obligations	(4,386,404)	
QZABs	(15,915,588)	
Certificates of Participation	(20,901,002)	
Other postemployment benefits (Note 10)	(16,180,268)	
Net pension liability (Notes 8 and 9)	(132,394,142)	
Compensated absences	<u>(673,785)</u>	
		(325,997,374)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding debt. 7,289,463

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	\$ 29,871,755	
Deferred inflows of resources relating to pensions	<u>(5,573,808)</u>	24,297,947

Unmatured interest on long-term liabilities is recognized in the period incurred. (2,007,514)

Internal service funds are used for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities. 273,736

Total net position - governmental activities		<u><u>\$ 26,396,612</u></u>
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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, 2017

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 121,452,033	\$ -	\$ -	\$ 121,452,033
Local sources	<u>16,304,272</u>	<u>-</u>	<u>-</u>	<u>16,304,272</u>
Total LCFF	<u>137,756,305</u>	<u>-</u>	<u>-</u>	<u>137,756,305</u>
Federal sources	8,560,770	-	6,965,676	15,526,446
Other state sources	13,309,520	-	2,437,578	15,747,098
Other local sources	<u>9,350,894</u>	<u>145,857</u>	<u>9,735,223</u>	<u>19,231,974</u>
Total revenues	<u>168,977,489</u>	<u>145,857</u>	<u>19,138,477</u>	<u>188,261,823</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	69,592,425	-	625,858	70,218,283
Classified salaries	21,582,468	-	3,234,155	24,816,623
Employee benefits	36,565,027	-	1,403,327	37,968,354
Books and supplies	7,864,356	-	4,797,236	12,661,592
Contract services and operating expenditures	15,227,134	412,723	568,686	16,208,543
Other outgo	1,519,389	-	-	1,519,389
Capital outlay	21,301,296	635,488	3,064,594	25,001,378
Debt service:				
Principal retirement	5,246,794	-	3,736,084	8,982,878
Interest	<u>663,771</u>	<u>-</u>	<u>2,825,222</u>	<u>3,488,993</u>
Total expenditures	<u>179,562,660</u>	<u>1,048,211</u>	<u>20,255,162</u>	<u>200,866,033</u>
Deficiency of revenues under expenditures	<u>(10,585,171)</u>	<u>(902,354)</u>	<u>(1,116,685)</u>	<u>(12,604,210)</u>
<b>Other financing sources (uses):</b>				
Transfers in	460,141	-	2,679,500	3,139,641
Transfers out	(2,679,500)	-	(460,141)	(3,139,641)
Proceeds from sale of bonds	-	29,500,000	-	29,500,000
Premium on issuance of refunding debt	-	-	911,921	911,921
Proceeds from capital leases	4,400,442	-	-	4,400,442
Proceeds from issuance of issuance of QZABs	10,295,000	-	-	10,295,000
Other financing uses	<u>-</u>	<u>-</u>	<u>(104,725)</u>	<u>(104,725)</u>
Total other financing sources (uses)	<u>12,476,083</u>	<u>29,500,000</u>	<u>3,026,555</u>	<u>45,002,638</u>
Net change in fund balances	1,890,912	28,597,646	1,909,870	32,398,428
Fund balances, July 1, 2016	<u>37,491,248</u>	<u>1,456,435</u>	<u>14,514,574</u>	<u>53,462,257</u>
Fund balances, June 30, 2017	<u>\$ 39,382,160</u>	<u>\$ 30,054,081</u>	<u>\$ 16,424,444</u>	<u>\$ 85,860,685</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, 2017

Net change in fund balances - Total Governmental Funds \$ 32,398,428

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). \$ 25,576,887

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (9,638,635)

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). (360,204)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding debt (Note 6). (527,796)

Proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were (Note 6): (29,500,000)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6). 8,982,878

Proceeds from capital leases and QZAB are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from capital leases and QZAB were (Note 6): (14,695,442)

Accretion of interest is not recorded in the governmental funds. It increases the long-term liabilities in the statement of net position (Note 6). (1,426,987)

Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due. (532,231)

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). (291,230)

(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, 2017

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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):	\$ (2,695,978)
Activities of the internal service funds are reported with governmental activities.	273,736
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).	(1,258,083)
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>(161,129)</u> \$ <u>(26,254,214)</u>
Change in net position of governmental activities	<u>\$ 6,144,214</u>

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See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
June 30, 2017

	<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>
<b>ASSETS</b>		
Current assets:		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 703,523	\$ 1,651,411
Cash on hand and in banks	-	509,183
Due from other funds	7	-
Receivables	<u>2,669</u>	<u>7,524</u>
Total assets	<u>706,199</u>	<u>2,168,118</u>
<b>DEFERRED OUTFLOWS OR RESOURCES</b>		
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>147,114</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	15,314	3,311
Due to other funds	51,062	-
Claims liability	<u>-</u>	<u>1,891,071</u>
Current liabilities	<u>66,376</u>	<u>1,894,382</u>
Net pension liability - long-term	<u>478,858</u>	<u>-</u>
Total liabilities	<u>545,234</u>	<u>1,894,382</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>23,192</u>	<u>-</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 284,887</u>	<u>\$ 273,736</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, 2017

	<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>
Operating revenues:		
Self-insurance premiums	\$ -	\$ 20,407,579
Other local revenues	<u>608,525</u>	<u>1,359,420</u>
Total operating revenues	<u>608,525</u>	<u>21,766,999</u>
Operating expenses:		
Classified salaries	355,168	-
Employee benefits	184,071	119,909
Books and supplies	13,050	-
Contract services and operating expenses	<u>95,817</u>	<u>21,392,127</u>
Total operating expenses	<u>648,106</u>	<u>21,512,036</u>
Operating (loss) income	<u>(39,581)</u>	<u>254,963</u>
Non-operating revenue:		
Interest income	<u>9,736</u>	<u>18,773</u>
Change in net position	(29,845)	273,736
Total net position, July 1, 2016	<u>314,732</u>	<u>-</u>
Total net position, June 30, 2017	<u>\$ 284,887</u>	<u>\$ 273,736</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2017

	<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	\$ 607,959	\$ -
Cash received from self-insurance premiums	-	22,280,526
Cash paid for services	(522,332)	(22,214,281)
Cash paid for other expenses	<u>(62,833)</u>	<u>-</u>
Net cash provided by operating activities	<u>22,794</u>	<u>66,245</u>
Cash flows provided by investing activities:		
Interest income received	<u>9,736</u>	<u>18,773</u>
Increase in cash and investments	32,530	85,018
Cash and investments, July 1, 2016	<u>670,993</u>	<u>2,075,576</u>
Cash and investments, June 30, 2017	<u>\$ 703,523</u>	<u>\$ 2,160,594</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	<u>\$ (39,581)</u>	<u>\$ 254,963</u>
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
(Increase) decrease in:		
Receivables	(559)	138,981
Due from other funds	(7)	374,546
Deferred outflows of resources - pensions	(82,093)	-
Increase (decrease) in:		
Accounts payable	651	(3,814)
Pension liability	111,000	-
Due to other funds	45,383	(3,700)
Claims liability	-	(694,731)
Deferred inflows of resources - pensions	<u>(12,000)</u>	<u>-</u>
Total adjustments	<u>62,375</u>	<u>(188,718)</u>
Net cash provided by operating activities	<u>\$ 22,794</u>	<u>\$ 66,245</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2017

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**ASSETS**

Cash on hand and in banks (Note 2)	<u>\$ 641,221</u>
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**LIABILITIES**

Due to student groups	<u>\$ 641,221</u>
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See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**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.

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(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.

2 - Building Fund:

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

3 - Campus Connection Fund:

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

B - Other Funds

1 - Special Revenue Funds:

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

2 - Capital Project Funds:

The Capital Project Funds are used to account for resources used for the acquisition or construction of major capital facilities by the District. This classification includes the 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 - 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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

5 - Student Body Fund:

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

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 shorter life of the refunded or refunding debt. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**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.

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 19,863,505</u>	<u>\$ 10,155,364</u>	<u>\$ 30,018,869</u>
Deferred inflows of resources	<u>\$ 4,092,000</u>	<u>\$ 1,505,000</u>	<u>\$ 5,597,000</u>
Net pension liability	<u>\$100,428,000</u>	<u>\$ 32,445,000</u>	<u>\$132,873,000</u>
Pension expense	<u>\$ 14,981,442</u>	<u>\$ 4,201,850</u>	<u>\$ 19,183,292</u>

The District has allocated approximately 1.5 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 \$673,785 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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**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. The restriction for self insurance represents the portion of net position restricted for the District's claims and health benefits to current and retired employees. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

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, 2017, the District had no committed fund balances.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**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, 2017, no such designation has occurred. At June 30, 2017, the District had no assigned 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, 2017, 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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2017 consisted of the following:

	Governmental Activities			Business-Type Activities	Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total		
Pooled Funds:					
Cash in County Treasury	\$ 88,707,237	\$ 1,651,411	\$ 90,358,648	\$ 703,523	\$ -
Deposits:					
Cash in revolving fund	25,000	-	25,000	-	-
Cash on hand and in banks	132,110	509,183	641,293	-	641,221
Total deposits	157,110	509,183	666,293	-	641,221
Cash with Fiscal Agent	1,262,799	-	1,262,799	-	-
Total cash and investments	\$ 90,127,146	\$ 2,160,594	\$ 92,287,740	\$ 703,523	\$ 641,221

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, 2017, 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, 2017, the carrying amount of the District's accounts was \$693,640, and the bank balances was \$693,339, of which \$434,156 was FDIC insured.

Cash balances held in credit unions are insured by the National Credit Union Association (NCUA). At June 30, 2017, the carrying amount of the District's accounts was \$613,448 and the bank balance was \$668,068, of which \$250,000 was NCUA insured.

Cash with Fiscal Agent: Cash with Fiscal Agent in the General, and Capital Facilities Funds totaling \$1,262,799 are the proceeds from General Obligation Bonds, and Certificates of Participation, respectively, held by trustees. The amounts held by trustees are fully collateralized.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, 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, 2017

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**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, 2017, 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, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 506,700	\$ 1,045,739
Non-Major Funds:		
Adult Education	20,644	10,999
Child Development	58,838	38,788
Cafeteria	21,954	402,042
Deferred Maintenance	954,947	-
Capital Facilities	-	9,418
Bond Interest and Redemption Fund	-	5,042
Proprietary Funds:		
Campus Connection	<u>7</u>	<u>51,062</u>
Totals	<u>\$ 1,563,090</u>	<u>\$ 1,563,090</u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**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 2016-17 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.	395,531
Transfer from the General Fund to the Child Development Fund for repayment of child development costs.	179,500
Transfer from the Child Development Fund to the General Fund for indirect costs.	52,392
Transfer from the Adult Education Fund to the General Fund for indirect costs.	<u>12,218</u>
	<u><u>\$ 3,139,641</u></u>

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, <u>2016</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 17,768,991	\$ 1,401,751	\$ (354,208)	\$ 18,816,534
Work-in-process	9,345,971	13,661,936	(2,014,281)	20,993,626
Depreciable:				
Land improvements	38,889,576	2,757,461	-	41,647,037
Buildings and improvements	217,684,475	2,759,390	(455)	220,443,410
Equipment	<u>28,460,008</u>	<u>7,010,630</u>	<u>(125,621)</u>	<u>35,345,017</u>
Totals, at cost	<u>312,149,021</u>	<u>27,591,168</u>	<u>(2,494,565)</u>	<u>337,245,624</u>
Less accumulated depreciation:				
Land improvements	(7,433,125)	(1,284,311)	-	(8,717,436)
Buildings and improvements	(70,479,579)	(5,418,212)	370	(75,897,421)
Equipment	<u>(13,134,696)</u>	<u>(2,936,112)</u>	<u>119,710</u>	<u>(15,951,098)</u>
Total accumulated depreciation	<u>(91,047,400)</u>	<u>(9,638,635)</u>	<u>120,080</u>	<u>(100,565,955)</u>
Capital assets, net	<u><u>\$ 221,101,621</u></u>	<u><u>\$ 17,952,533</u></u>	<u><u>\$ (2,374,485)</u></u>	<u><u>\$ 236,679,669</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 4 - CAPITAL ASSETS** (Continued)

Depreciation expense was charged to governmental activities for the year ended June 30, 2017 as follows:

Governmental activities:	
Instruction	\$ 7,324,380
Home to school transportation	672,611
Food services	94,897
Ancillary services	5,667
General administration	136,100
Centralized data processing	400,794
Plant services	<u>1,004,186</u>
 Total depreciation expense	 <u><u>\$ 9,638,635</u></u>

At June 30, 2017, the District had capital assets acquired from capital leases with an original cost of \$11,416,962. The accumulated depreciation was \$3,869,529 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, 2017 were as follows:

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

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**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.

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

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

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**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, 2016</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2017</u>
1998 Series A	5.60 - 6.25%	1998	2018	\$ 21,294,069	\$ 1,950,000	\$ -	\$ 960,000	\$ 990,000
2004 Series B	4.5 - 4.125%	2006	2017	14,999,990	335,000	-	335,000	-
2008 Series A	5.00 - 5.25%	2009	2020	35,999,923	1,969,601	-	327,550	1,642,051
2008 Series B	5.00 - 5.25%	2013	2043	12,999,862	12,999,862	-	-	12,999,862
2014 Refunding	2.00 - 5.00%	2014	2030	22,665,000	21,510,000	-	480,000	21,030,000
2008 Series C	2.00 - 5.00%	2015	2045	7,497,871	7,497,871	-	-	7,497,871
2014 Refunding, Series B	2.00 - 5.00%	2015	2032	12,495,000	12,255,000	-	-	12,255,000
2016 Refunding	2.00 - 5.00%	2016	2033	34,380,000	34,380,000	-	-	34,380,000
2008 Series D	2.00 - 5.00%	2017	2031	4,500,000	-	4,500,000	-	4,500,000
2016 Series A	2.00 - 4.08%	2017	2048	25,000,000	-	25,000,000	-	25,000,000
				<u>\$191,831,715</u>	<u>\$ 92,897,334</u>	<u>\$ 29,500,000</u>	<u>\$ 2,102,550</u>	<u>\$120,294,784</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

The annual payments required to amortize the 1998, Series A, General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>990,000</u>	\$ <u>48,053</u>	\$ <u>1,038,053</u>

The annual payments required to amortize the 2008, Series A, General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,642,051</u>	<u>\$ 964,823</u>	<u>\$ 2,606,874</u>

The annual payments required to amortize the 2008, Series B, General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2033-2037	\$ 4,580,381	\$ 17,430,515	\$ 22,010,896
2038-2042	7,064,819	23,873,983	30,938,802
2043	<u>1,354,662</u>	<u>2,742,669</u>	<u>4,097,331</u>
	<u>\$ 12,999,862</u>	<u>\$ 44,047,167</u>	<u>\$ 57,047,029</u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

The annual payments required to amortize the 2014 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	620,000	1,010,369	1,630,369
2019	760,000	985,569	1,745,569
2020	925,000	955,000	1,880,000
2021	1,110,000	918,169	2,028,169
2022	1,320,000	862,669	2,182,669
2023-2027	10,125,000	3,095,594	13,220,594
2028-2030	<u>6,170,000</u>	<u>445,300</u>	<u>6,615,300</u>
	<u>\$ 21,030,000</u>	<u>\$ 8,272,670</u>	<u>\$ 29,302,670</u>

The annual payments required to amortize the 2008, Series C, General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 262,006	\$ 262,006
2019	-	262,006	262,006
2020	-	262,006	262,006
2021	25,000	261,756	286,756
2022	40,000	261,106	301,106
2023-2027	530,000	1,270,981	1,800,981
2028-2032	1,080,134	1,322,107	2,402,241
2033-2037	792,976	2,504,274	3,297,250
2038-2042	2,354,761	1,735,564	4,090,325
2043-2045	<u>2,675,000</u>	<u>189,200</u>	<u>2,864,200</u>
	<u>\$ 7,497,871</u>	<u>\$ 8,331,006</u>	<u>\$ 15,828,877</u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**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, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	400,000	448,319	848,319
2023-2027	2,365,000	1,919,044	4,284,044
2028-2032	<u>8,020,000</u>	<u>1,193,009</u>	<u>9,213,009</u>
	<u>\$ 12,255,000</u>	<u>\$ 5,526,748</u>	<u>\$ 17,781,748</u>

The annual payments required to amortize the 2016 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,223,275	2,518,275
2022	1,475,000	1,154,025	2,629,025
2023-2027	10,565,000	4,406,025	14,971,025
2028-2032	16,650,000	2,142,775	18,792,775
2033	<u>4,395,000</u>	<u>65,925</u>	<u>4,460,925</u>
	<u>\$ 34,380,000</u>	<u>\$ 12,758,975</u>	<u>\$ 47,138,975</u>

At June 30, 2017, \$32,320,000 of bonds outstanding are considered defeased.

The annual payments required to amortize the 2008, Series D, General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 134,622	\$ 134,622
2019	640,000	150,950	790,950
2020	650,000	138,050	788,050
2021	255,000	127,725	382,725
2022	260,000	118,700	378,700
2023-2027	1,415,000	423,550	1,838,550
2028-2031	<u>1,280,000</u>	<u>90,650</u>	<u>1,370,650</u>
	<u>\$ 4,500,000</u>	<u>\$ 1,184,247</u>	<u>\$ 5,684,247</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

The annual payments required to amortize the 2016, Series A, General Obligation Bonds, outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 810,896	\$ 810,896
2019	2,000,000	927,800	2,927,800
2020	2,250,000	885,300	3,135,300
2021	-	862,800	862,800
2022	-	862,800	862,800
2023-2027	235,000	4,305,500	4,540,500
2028-2032	1,440,000	4,151,200	5,591,200
2033-2037	3,000,000	3,774,738	6,774,738
2038-2042	5,300,000	2,875,000	8,175,000
2043-2047	8,590,000	1,354,000	9,944,000
2048	<u>2,185,000</u>	<u>43,700</u>	<u>2,228,700</u>
	<u>\$ 25,000,000</u>	<u>\$ 20,853,734</u>	<u>\$ 45,853,734</u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

Certificates of Participation:

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

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

<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, 2016</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2017</u>
2007 COPs	4.1 - 4.7%	2007	2028	\$ 20,350,000	\$ 9,135,000	\$ -	\$ 775,000	\$ 8,360,000
2016 Refunding COPs	2.21%	2016	2027	<u>13,668,513</u>	<u>13,668,513</u>	<u>-</u>	<u>1,127,511</u>	<u>12,541,002</u>
				<u>\$ 34,018,513</u>	<u>\$ 22,803,513</u>	<u>\$ -</u>	<u>\$ 1,902,511</u>	<u>\$ 20,901,002</u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

The annual payments required to amortize the 2007 Certificates of Participation outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	595,000	253,875	848,875
2023-2027	4,250,000	710,156	4,960,156
2028	<u>605,000</u>	<u>13,991</u>	<u>618,991</u>
	<u>\$ 8,360,000</u>	<u>\$ 2,252,813</u>	<u>\$ 10,612,813</u>

The annual payments required to amortize the 2016, Refunding Certificates of Participation outstanding as of June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,367,162	166,383	1,533,545
2023-2027	<u>6,503,288</u>	<u>383,273</u>	<u>6,886,561</u>
	<u>\$ 12,541,002</u>	<u>\$ 1,499,730</u>	<u>\$ 14,040,732</u>

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

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

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, 2017, are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 274,765
Less amount representing interest	<u>(7,711)</u>
Net present value of minimum payments	<u><u>\$ 267,054</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, 2017, are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 360,955
2019	<u>360,955</u>
Total payments	721,910
Less amount representing interest	<u>(20,121)</u>
Net present value of minimum payments	<u><u>\$ 701,789</u></u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

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, 2017, are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 417,881
Less amount representing interest	<u>(2,165)</u>
Net present value of minimum payments	<u><u>\$ 415,716</u></u>

In October 2016, The District entered into a capital lease agreement with Hewlett-Packard Enterprise Financial Services Company for the acquisition of equipment. The annual payments required to amortize the capital lease obligation outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 1,398,597
2019	1,398,597
2020	<u>378,349</u>
Total payments	3,175,543
Less amount representing interest	<u>(173,698)</u>
Net present value of minimum payments	<u><u>\$ 3,001,845</u></u>

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

Year Ending <u>June 30,</u>	<u>Principal</u>
2018	\$ 401,470
2019	401,470
2020	401,470
2021	401,470
2022	401,470
2023-2027	2,007,355
2028-2031	<u>1,605,883</u>
Total payments	<u><u>\$ 5,620,588</u></u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

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

Year Ending <u>June 30,</u>	<u>Principal</u>
2018	\$ 514,750
2019	514,750
2020	514,750
2021	514,750
2022	514,750
2023-2027	2,573,750
2028-2031	2,573,750
2028-2031	<u>2,573,750</u>
Total payments	<u>\$ 10,295,000</u>

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**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, 2017 is shown below:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>	Amounts Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation					
Bonds	\$ 92,897,334	\$ 29,500,000	\$ 2,102,550	\$ 120,294,784	\$ 2,300,180
Bond premiums	9,934,275	911,921	620,691	10,225,505	674,773
Accreted interest	4,891,359	1,426,987	1,292,450	5,025,896	1,404,820
Certificates of Participation	22,803,513	-	1,902,511	20,901,002	1,909,474
Capitalized lease obligations	3,269,859	4,400,442	3,283,897	4,386,404	2,332,803
QZABs	6,022,058	10,295,000	401,470	15,915,588	916,220
Other postemployment benefits (Note 10)	14,922,185	3,014,139	1,756,056	16,180,268	-
Early retirement incentive program	-	-	-	-	-
Compensated absences	512,656	179,358	18,229	673,785	-
Net pension liability (Notes 8 and 9)	<u>109,535,142</u>	<u>22,859,000</u>	<u>-</u>	<u>132,394,142</u>	<u>-</u>
 Totals	 <u>\$ 264,788,381</u>	 <u>\$ 72,586,847</u>	 <u>\$ 11,377,854</u>	 <u>\$ 325,997,374</u>	 <u>\$ 9,538,270</u>
 <u>Business-Type Activities:</u>					
Net pension liability (Notes 8 and 9)	<u>\$ 367,858</u>	<u>\$ 111,000</u>	<u>\$ -</u>	<u>\$ 478,858</u>	<u>\$ -</u>

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

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 7 - FUND BALANCES**

Governmental fund balances, by category, at June 30, 2017 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 25,000	\$ -	\$ -	\$ 25,000
Stores inventory	3,688	-	87,047	90,735
Prepaid expenditures	<u>21,076</u>	<u>-</u>	<u>-</u>	<u>21,076</u>
Subtotal nonspendable	<u>49,764</u>	<u>-</u>	<u>87,047</u>	<u>136,811</u>
Restricted:				
Legally restricted programs	3,962,649	-	7,903,173	11,865,822
Capital projects	-	30,054,081	3,650,132	33,704,213
Debt service	<u>-</u>	<u>-</u>	<u>4,784,092</u>	<u>4,784,092</u>
Subtotal restricted	<u>3,962,649</u>	<u>30,054,081</u>	<u>16,337,397</u>	<u>50,354,127</u>
Unassigned:				
Designated for economic uncertainties	9,089,101	-	-	9,089,101
Undesignated	<u>26,280,646</u>	<u>-</u>	<u>-</u>	<u>26,280,646</u>
Subtotal unassigned	<u>35,369,747</u>	<u>-</u>	<u>-</u>	<u>35,369,747</u>
Total fund balances	<u>\$ 39,382,160</u>	<u>\$ 30,054,081</u>	<u>\$ 16,424,444</u>	<u>\$ 85,860,685</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:

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

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* – 12.58 percent of applicable member earnings.

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

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 \$8,617,505 to the plan for the fiscal year ended June 30, 2017.

*State* - 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

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

(2)During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3)The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2017, 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	\$ 100,428,000
State's proportionate share of the net pension liability associated with the District	<u>57,177,000</u>
Total	<u>\$ 157,605,000</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District's proportion was 0.124 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2015.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

For the year ended June 30, 2017, the District recognized pension expense of \$14,981,442 and revenue of \$4,873,539 for support provided by the State. At June 30, 2017, 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	\$ -	\$ 2,450,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	7,984,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,262,000	1,642,000
Contributions made subsequent to measurement date	<u>8,617,505</u>	<u>-</u>
Total	<u>\$ 19,863,505</u>	<u>\$ 4,092,000</u>

\$8,617,505 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, 2018. 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>	
2018	\$ 37,350
2019	\$ 37,350
2020	\$ 4,709,699
2021	\$ 2,926,133
2022	\$ (68,367)
2023	\$ (488,165)

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
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 and June 30, 2015 Actuarial Program Valuations for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 10-year geometric average

(Continued)

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

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>\$144,539,000</u>	<u>\$100,428,000</u>	<u>\$ 63,792,000</u>

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

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

*General Information about the Public Employer's Retirement Fund B*

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and 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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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, 2017 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

*Employers* - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$2,979,364 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$32,445,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District’s proportion was 0.164 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,201,850. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,395,000	\$ -
Changes of assumptions	-	975,000
Net differences between projected and actual earnings on investments	5,034,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	747,000	530,000
Contributions made subsequent to measurement date	<u>2,979,364</u>	<u>-</u>
Total	<u>\$ 10,155,364</u>	<u>\$ 1,505,000</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

\$2,979,364 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, 2018. 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>	
2018	\$ 835,058
2019	\$ 1,093,058
2020	\$ 2,428,884
2021	\$ 1,314,000

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, 2015, and rolling forward the total pension liability to June 30, 2016 and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	Jun3 30, 1997 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

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, 2015 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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(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 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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**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>\$ 48,408,000</u>	<u>\$ 32,445,000</u>	<u>\$ 19,152,000</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	\$ 3,327,791
Interest on net OPEB obligation	447,666
Adjustment to annual required contribution	<u>(761,317)</u>
Annual OPEB cost (expense)	3,014,140
Contributions made	<u>(1,756,057)</u>
Increase in net OPEB obligation	1,258,083
Net OPEB obligation - beginning of year	<u>14,922,185</u>
Net OPEB obligation - end of year	<u>\$ 16,180,268</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**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, 2017 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, 2015	\$ 3,011,412	41.2%	\$ 13,211,647
June 30, 2016	\$ 2,955,326	42.1%	\$ 14,922,185
June 30, 2017	\$ 3,014,140	58.3%	\$ 16,180,268

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$41,292,980, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$41,292,980. The covered payroll (annual payroll of active employees covered by the Plan) was \$78,541,181, and the ratio of the UAAL to the covered payroll was 52.6 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, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.00 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, 2017, is 30 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, 2017

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**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, 2016:

Total assets	\$ 3,501,092
Total liabilities	\$ 1,307,094
Net position	\$ 2,193,998
Total revenues	\$ 3,271,911
Total expenses	\$ 3,214,841
Change in net position	\$ 57,070

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, 2016:

Total assets	\$ 15,632,525
Total liabilities	\$ 8,211,709
Net position	\$ 7,420,816
Total revenues	\$ 5,415,892
Total expenses	\$ 4,019,575
Change in net position	\$ 1,396,317

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, 2017, the District has approximately \$82,000 in outstanding commitments on construction contracts.

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**NOTE 13 - SUBSEQUENT EVENTS**

In October 2017, the District issued 2017 Refunding Certificates of Participation (COP) in the amount of \$6,110,000 to refund a portion of the 2007 COPs.

**REQUIRED SUPPLEMENTARY INFORMATION**

CENTRAL UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Local Control Funding Formula				
State apportionment	\$ 126,744,732	\$ 121,673,958	\$ 121,452,033	\$ (221,925)
Local sources	<u>14,684,201</u>	<u>15,724,227</u>	<u>16,304,272</u>	<u>580,045</u>
Total LCFF	<u>141,428,933</u>	<u>137,398,185</u>	<u>137,756,305</u>	<u>358,120</u>
Federal sources	8,816,863	9,267,624	8,560,770	(706,854)
Other state sources	11,624,586	13,592,190	13,309,520	(282,670)
Other local sources	<u>8,071,993</u>	<u>10,024,238</u>	<u>9,350,894</u>	<u>(673,344)</u>
Total revenues	<u>169,942,375</u>	<u>170,282,237</u>	<u>168,977,489</u>	<u>(1,304,748)</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	66,184,550	70,735,184	69,592,425	1,142,759
Classified salaries	20,904,398	22,148,399	21,582,468	565,931
Employee benefits	35,613,676	37,292,908	36,565,027	727,881
Books and supplies	8,935,059	9,473,837	7,864,356	1,609,481
Contract services and operating expenditures	18,277,526	18,926,686	15,227,134	3,699,552
Other outgo	982,713	975,695	1,519,389	(543,694)
Capital outlay	8,556,203	22,550,822	21,301,296	1,249,526
Debt service:				
Principal retirement	4,798,072	5,246,794	5,246,794	-
Interest	<u>1,180,161</u>	<u>663,851</u>	<u>663,771</u>	<u>80</u>
Total expenditures	<u>165,432,358</u>	<u>188,014,176</u>	<u>179,562,660</u>	<u>8,451,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,510,017</u>	<u>(17,731,939)</u>	<u>(10,585,171)</u>	<u>7,146,768</u>
<b>Other financing sources (uses):</b>				
Transfers in	4,412,889	14,695,442	460,141	(14,235,301)
Transfers out	(2,500,000)	(2,620,750)	(2,679,500)	(58,750)
Proceeds from capital leases	-	-	4,400,442	4,400,442
Proceeds from issuance of QZABs	<u>-</u>	<u>-</u>	<u>10,295,000</u>	<u>10,295,000</u>
Total other financing sources (uses)	<u>1,912,889</u>	<u>12,074,692</u>	<u>12,476,083</u>	<u>401,391</u>
Net change in fund balance	6,422,906	(5,657,247)	1,890,912	7,548,159
Fund balance, July 1, 2016	<u>37,491,248</u>	<u>37,491,248</u>	<u>37,491,248</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 43,914,154</u>	<u>\$ 31,834,001</u>	<u>\$ 39,382,160</u>	<u>\$ 7,548,159</u>

CENTRAL UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 For the Year Ended June 30, 2017

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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%
July 1, 2016	\$ -	\$41.3 million	\$41.3 million	0%	\$78.5 million	52.6%

CENTRAL UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

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

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.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

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

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, 2017

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

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

All years prior to 2015 are not available.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

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

All years prior to 2015 are not available.

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017

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**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.

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, 7.65 and 7.65 percent in the June 30, 2013, 2014 and 2015 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, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
<b>ASSETS</b>								
Cash and investments:								
Cash in County Treasury	\$ 616,698	\$ 80,666	\$ 2,358,633	\$ 2,683,147	\$ 2,465,834	\$ 55,780	\$ 4,768,867	\$ 13,029,625
Cash on hand and in banks	-	-	112,322	-	-	-	-	112,322
Cash with Fiscal Agent	-	-	-	-	1,231,720	-	-	1,231,720
Receivables	484,721	228,437	1,179,537	10,889	9,346	216	20,267	1,933,413
Due from other funds	20,644	58,838	21,954	954,947	-	-	-	1,056,383
Stores inventory	-	-	87,047	-	-	-	-	87,047
Total assets	<u>\$ 1,122,063</u>	<u>\$ 367,941</u>	<u>\$ 3,759,493</u>	<u>\$ 3,648,983</u>	<u>\$ 3,706,900</u>	<u>\$ 55,996</u>	<u>\$ 4,789,134</u>	<u>\$ 17,450,510</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 128,741	\$ 107,976	\$ 123,021	\$ 96,693	\$ 103,346	\$ -	\$ -	\$ 559,777
Due to other funds	<u>10,999</u>	<u>38,788</u>	<u>402,042</u>	<u>-</u>	<u>9,418</u>	<u>-</u>	<u>5,042</u>	<u>466,289</u>
Total liabilities	<u>139,740</u>	<u>146,764</u>	<u>525,063</u>	<u>96,693</u>	<u>112,764</u>	<u>-</u>	<u>5,042</u>	<u>1,026,066</u>
Fund balances:								
Nonspendable	-	-	87,047	-	-	-	-	87,047
Restricted	<u>982,323</u>	<u>221,177</u>	<u>3,147,383</u>	<u>3,552,290</u>	<u>3,594,136</u>	<u>55,996</u>	<u>4,784,092</u>	<u>16,337,397</u>
Total fund balances	<u>982,323</u>	<u>221,177</u>	<u>3,234,430</u>	<u>3,552,290</u>	<u>3,594,136</u>	<u>55,996</u>	<u>4,784,092</u>	<u>16,424,444</u>
Total liabilities and fund balances	<u>\$ 1,122,063</u>	<u>\$ 367,941</u>	<u>\$ 3,759,493</u>	<u>\$ 3,648,983</u>	<u>\$ 3,706,900</u>	<u>\$ 55,996</u>	<u>\$ 4,789,134</u>	<u>\$ 17,450,510</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, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
<b>Revenues:</b>								
Federal sources	\$ 397,728	\$ -	\$ 6,567,948	\$ -	\$ -	\$ -	\$ -	\$ 6,965,676
Other state sources	947,194	929,732	481,067	-	-	-	79,585	2,437,578
Other local sources	<u>272,277</u>	<u>3,006</u>	<u>962,305</u>	<u>79,564</u>	<u>2,211,001</u>	<u>219</u>	<u>6,206,851</u>	<u>9,735,223</u>
Total revenues	<u>1,617,199</u>	<u>932,738</u>	<u>8,011,320</u>	<u>79,564</u>	<u>2,211,001</u>	<u>219</u>	<u>6,286,436</u>	<u>19,138,477</u>
<b>Expenditures:</b>								
Current:								
Certificated salaries	592,564	33,294	-	-	-	-	-	625,858
Classified salaries	236,260	401,194	2,425,488	-	171,213	-	-	3,234,155
Employee benefits	272,382	135,124	944,019	-	51,802	-	-	1,403,327
Books and supplies	52,541	160,627	4,421,462	-	162,606	-	-	4,797,236
Contract services and operating expenditures	145,775	25,278	248,276	42,473	106,884	-	-	568,686
Capital outlay	36,772	184,933	269,619	537,150	2,036,120	-	-	3,064,594
Debt service:								
Principal retirement	-	-	-	-	341,084	-	3,395,000	3,736,084
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,885</u>	<u>-</u>	<u>2,805,337</u>	<u>2,825,222</u>
Total expenditures	<u>1,336,294</u>	<u>940,450</u>	<u>8,308,864</u>	<u>579,623</u>	<u>2,889,594</u>	<u>-</u>	<u>6,200,337</u>	<u>20,255,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>280,905</u>	<u>(7,712)</u>	<u>(297,544)</u>	<u>(500,059)</u>	<u>(678,593)</u>	<u>219</u>	<u>86,099</u>	<u>(1,116,685)</u>
<b>Other financing sources (uses):</b>								
Transfers in	-	179,500	-	2,500,000	-	-	-	2,679,500
Transfers out	(12,218)	(52,392)	(395,531)	-	-	-	-	(460,141)
Other financing uses	-	-	-	-	-	-	(104,725)	(104,725)
Premium on sale of bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>911,921</u>	<u>911,921</u>
Total other financing sources (uses)	<u>(12,218)</u>	<u>127,108</u>	<u>(395,531)</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>807,196</u>	<u>3,026,555</u>
Net change in fund balances	268,687	119,396	(693,075)	1,999,941	(678,593)	219	893,295	1,909,870
Fund balances, July 1, 2016	<u>713,636</u>	<u>101,781</u>	<u>3,927,505</u>	<u>1,552,349</u>	<u>4,272,729</u>	<u>55,777</u>	<u>3,890,797</u>	<u>14,514,574</u>
Fund balances, June 30, 2017	<u>\$ 982,323</u>	<u>\$ 221,177</u>	<u>\$ 3,234,430</u>	<u>\$ 3,552,290</u>	<u>\$ 3,594,136</u>	<u>\$ 55,996</u>	<u>\$ 4,784,092</u>	<u>\$ 16,424,444</u>

CENTRAL UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2017

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>243,754</u>	\$ <u>660,245</u>	\$ <u>682,899</u>	\$ <u>221,100</u>
Liabilities:				
Due to student groups	\$ <u>243,754</u>	\$ <u>660,245</u>	\$ <u>682,899</u>	\$ <u>221,100</u>
<u>Middle Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>92,199</u>	\$ <u>346,756</u>	\$ <u>356,840</u>	\$ <u>82,115</u>
Liabilities:				
Due to student groups	\$ <u>92,199</u>	\$ <u>346,756</u>	\$ <u>356,840</u>	\$ <u>82,115</u>
<u>High Schools</u>				
Assets:				
Cash on hand and in banks	\$ <u>371,175</u>	\$ <u>1,073,701</u>	\$ <u>1,106,870</u>	\$ <u>338,006</u>
Liabilities:				
Due to student groups	\$ <u>371,175</u>	\$ <u>1,073,701</u>	\$ <u>1,106,870</u>	\$ <u>338,006</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>707,128</u>	\$ <u>2,080,702</u>	\$ <u>2,146,609</u>	\$ <u>641,221</u>
Liabilities:				
Due to student groups	\$ <u>707,128</u>	\$ <u>2,080,702</u>	\$ <u>2,146,609</u>	\$ <u>641,221</u>

CENTRAL UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2017

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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, 2017 was comprised of the following members:

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

The Superintendent's Executive Staff at June 30, 2017 was comprised of the following:

Mark G. Sutton  
Superintendent

Kelly Porterfield  
Assistant Superintendent, Chief Business Officer

Ketti Davis  
Assistant Superintendent, Educational Services

Jack Kelejian  
Assistant Superintendent, Human Resources

CENTRAL UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2017

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	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate Number:	91502D40	406D3C36
Elementary:		
Transitional Kindergarten through Third	4,753	4,760
Fourth through Sixth	3,568	3,571
Seventh and Eighth	2,402	2,397
Special Education	7	7
Community Day School	10	12
Subtotal Elementary	10,740	10,747
Secondary:		
Ninth through Twelfth	4,243	4,221
Special Education	1	1
Community Day School	12	12
Continuation Education	215	213
Subtotal Secondary	4,471	4,447
District Totals	15,211	15,194

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See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2017

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<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-2017 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	51,975	180	In Compliance
Grade 1	50,400	55,125	180	In Compliance
Grade 2	50,400	55,125	180	In Compliance
Grade 3	50,400	55,125	180	In Compliance
Grade 4	54,000	55,125	180	In Compliance
Grade 5	54,000	55,125	180	In Compliance
Grade 6	54,000	55,125	180	In Compliance
Grade 7	54,000	55,125	180	In Compliance
Grade 8	54,000	55,125	180	In Compliance
Grade 9	64,800	64,910	180	In Compliance
Grade 10	64,800	64,910	180	In Compliance
Grade 11	64,800	64,910	180	In Compliance
Grade 12	64,800	64,910	180	In Compliance

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See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

<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	\$ 4,530,476
84.010	NCLB: Title I, Part D, Local Delinquent Programs	14357	<u>8,770</u>
	Subtotal Title I Programs		<u>4,539,246</u>
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	2,423,522
84.027	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	70,690
84.173	Special Ed: IDEA Preschool Grant, Part B, Sec. 619	13430	<u>221,810</u>
	Subtotal Special Education Cluster		<u>2,716,022</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education and ESL	14508	95,689
84.002	Adult Education: Secondary Education	13978	143,791
84.002A	Adult Education: Adult Education, English Literacy and Civics	14109	<u>14,447</u>
	Subtotal Adult Education Programs		<u>253,927</u>
	NCLB: Title I, Migrant Education Programs:		
84.011	NCLB: Title I, Migrant Education - Regular	14326	26,892
84.011	NCLB: Title I, Migrant Education - Summer	14326	9,931
84.011	NCLB: Title I, Migrant Education - Even Start	14326	<u>4,384</u>
	Subtotal NCLB: Title I, Migrant Education Programs		<u>41,207</u>
	Vocational Education Programs:		
84.048	Vocational Programs: Voc. and Applied Technology Secondary IC, Sec. 131 (Carl Perkins Act)	14894	141,898
84.048	Vocational Programs: Adult Sec. 132 (Carl Perkins Act)	14893	<u>143,801</u>
	Subtotal Vocational Education Programs		<u>285,699</u>

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

<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	\$ 162,466
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>28,923</u>
	Subtotal Title III Programs		<u>191,389</u>
84.330B	Advanced Placement/International Baccalaureate	14831	16,302
84.367	NCLB: Title II, Improving Teacher Quality Local Grants	14341	<u>479,681</u>
	Total U.S. Department of Education		<u>8,523,473</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medi-Caid Cluster:		
93.778	Medi-Cal Billing Option	10013	427,357
93.778	Medi-Cal Administrative Activities (MAA)	10060	<u>166,517</u>
	Subtotal Medi-Caid Cluster		<u>593,874</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition Cluster: School Programs (NSL Sec. 4)	13523	<u>8,079,993</u>
	Total Federal Programs		<u>\$ 17,197,340</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, 2017

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	Campus Connection <u>Fund</u>
June 30, 2017 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 301,794
Adjustment to deferred outflows/inflows of resources for the change in proportion and differences between District contributions and proportionate share of contributions	<u>(16,907)</u>
June 30, 2017 Audited Financial Statements Ending Fund Balance	<u>\$ 284,887</u>

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

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See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2017  
(UNAUDITED)

	(Budgeted) 2018	2017	2016	2015
<u>General Fund</u>				
Revenues and other financing sources	\$ 168,333,338	\$ 173,838,072	\$ 164,117,509	\$ 140,530,939
Expenditures	174,297,396	179,562,660	145,752,539	139,462,707
Other uses and transfers out	<u>500,000</u>	<u>2,679,500</u>	<u>2,874,546</u>	<u>-</u>
Total outgo	<u>174,797,396</u>	<u>182,242,160</u>	<u>148,627,085</u>	<u>139,462,707</u>
Change in fund balance	<u>\$ (6,464,058)</u>	<u>\$ (8,404,088)</u>	<u>\$ 15,490,424</u>	<u>\$ 1,068,232</u>
Ending fund balance	<u>\$ 22,623,102</u>	<u>\$ 29,087,160</u>	<u>\$ 37,491,248</u>	<u>\$ 22,000,824</u>
Available reserves	<u>\$ 30,548,293</u>	<u>\$ 35,369,748</u>	<u>\$ 33,335,717</u>	<u>\$ 19,515,531</u>
Designated for economic uncertainties	<u>\$ 8,714,668</u>	<u>\$ 9,089,101</u>	<u>\$ 7,409,535</u>	<u>\$ 6,950,034</u>
Undesignated fund balance	<u>\$ 21,833,625</u>	<u>\$ 26,280,647</u>	<u>\$ 25,926,182</u>	<u>\$ 12,565,497</u>
Available reserves as percentages of total outgo	<u>17.4%</u>	<u>19.4%</u>	<u>22.4%</u>	<u>14.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 316,459,104</u>	<u>\$ 325,997,374</u>	<u>\$ 264,788,381</u>	<u>\$ 243,247,809</u>
Average daily attendance at P-2	<u>15,157</u>	<u>15,211</u>	<u>15,057</u>	<u>14,861</u>

The General Fund fund balance has increased by \$8,154,568 over the past three years. The fiscal year 2017-2018 budget projects a decrease of \$6,464,058. 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, 2017, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years. The District anticipates an operating deficit in fiscal year 2017-2018.

Total long-term liabilities have increased by \$82,749,565 over the past two years.

Average daily attendance has increased by 350 over the past two years. An decrease of 54 ADA is projected for the 2017-2018 fiscal year.

See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2017

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Charter Schools Chartered by District

Included in District  
Financial Statements, or  
Separate Report

There are currently no charter schools in the District.

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See accompanying notes to supplementary information.

CENTRAL UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2017

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2017.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 15,526,446
Add: Child Nutrition: School Programs expenditures in excess of revenues	10.555	1,512,045
Medi-Cal Billing Funds funds not spent	93.778	<u>158,849</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 17,197,340</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 2017-2018 fiscal year, as required by the State Controller's Office.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2017

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**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, 2017, 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 *2016-17 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, 2017.

<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
Mental Health Related Services	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 *2016-17 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.

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(Continued)

***Opinion on Compliance with State Laws and Regulations***

In our opinion, 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, 2017.

***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 *2016-17 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, 2017

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

Board of Education  
Central Unified School District  
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central Unified School District as of and for the year ended June 30, 2017, 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, 2017.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified deficiencies in internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2017-001 and 2017-002.

### 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*.

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(Continued)

## Central Unified School District's Response to Finding

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

### 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, 2017

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, 2017. 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, 2017.

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(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, 2017

## **FINDINGS AND RECOMMENDATIONS**

CENTRAL UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2017

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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>
84.173, 84.027, 84.027A 10.555	Special Education Cluster Child Nutrition Cluster

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: Unmodified

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2017-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)**

Criteria

Internal Controls – Safeguarding of Assets

Condition

At Rio Vista Middle School, logs of sub-receipt books were not being maintained.

Effect

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

Cause

Adequate internal control procedures have not been properly designed.

Fiscal Impact

Not determinable.

Recommendation

School sites should maintain a tracking system for sub-receipt books to ensure all sub-receipt books are accounted for.

Views of Responsible Official and Corrective Action Plan

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

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2017-002 DEFICIENCY – INTERNAL CONTROLS - PAYROLL (30000)**

Criteria

Pay rate changes should be independently reviewed by an individual than the person making the change.

Condition

Pay rate changes were not being independently reviewed after the change was made in the payroll system.

Effect

Employees may be erroneously paid the wrong amount.

Cause

The HR Department was under the assumption that Payroll was responsible for reviewing all pay rate changes. HR should be responsible for the input and review of rate changes while Payroll is responsible for the processing of payment.

Fiscal Impact

No fiscal impact.

Recommendation

The District should have the HR Department independently review and sign off on all pay rate changes on a routine basis.

Views of Responsible Official and Corrective Action Plan

The District will put a control in place where HR verifies that the rates input into Digital Schools by the Programmers are independently reviewed by somebody within the HR department who is independent of payroll.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

CENTRAL UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2017

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>2016-001</b>	Implemented.	
<u>Condition:</u> At River Bluff Elementary School one student was improperly claimed for apportionment for a total overstatement of one day.		
<u>Recommendation:</u> The District should ensure attendance records are correct.		
<b>2016-002</b>	Implemented.	
<u>Condition:</u> 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.		
<u>Recommendation:</u> The District should have procedures in place to verify that the records maintained by the District matches what is reported in CalPADS.		