BERRYESSA UNION SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2018

BERRYESSA UNION SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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INDEPENDENT AUDITORS' REPORT

Board of Education
Berryessa Union School District
San Jose, California

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

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Change in Accounting Principle
As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a $25,562,472 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements. The supplementary information on pages 62 to 65 and the schedule of expenditures of federal awards on page 66 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 59 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 10, 2018, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC

Murrieta, California
December 10, 2018

This discussion and analysis of Berryessa Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $6.9 million due to spending down bond funds.
- Governmental expenses were about $90.6 million. Revenues were about $83.7 million.
- The District acquired approximately $11.8 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by $6.3 million. This was primarily due to paying down general obligation bonds.
- Grades K-8 average daily attendance (ADA) decreased by 216.

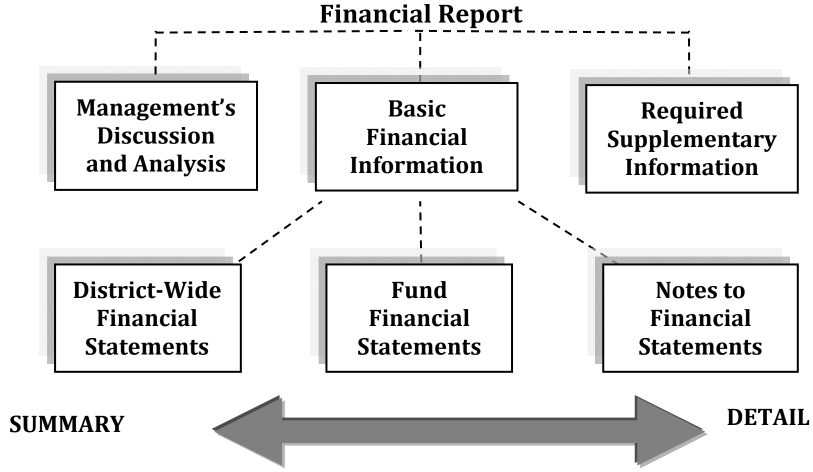
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Berryessa Union School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2) ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and retiree benefits fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 33.2% to $(27.9) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2018	2017*	(Decrease)
Assets			
Current assets	$ 79,695,229	$ 96,451,800	$ (16,756,571)
Capital assets	113,827,912	108,137,752	5,690,160
Total assets	193,523,141	204,589,552	(11,066,411)
Deferred outflows of resources	23,298,130	14,763,353	8,534,777
Liabilities			
Current liabilities	5,193,892	7,105,566	(1,911,674)
Long-term liabilities	154,609,187	160,911,287	(6,302,100)
Net pension liability	76,798,973	67,071,080	9,727,893
Total liabilities	236,602,052	235,087,933	1,514,119
Deferred inflows of resources	8,081,742	5,187,472	2,894,270
Net position			
Net investment in capital assets	42,481,719	40,433,148	2,048,571
Restricted	13,757,421	15,182,832	(1,425,411)
Unrestricted	(84,101,663)	(76,538,480)	(7,563,183)
Total net position	$ (27,862,523)	$ (20,922,500)	$ (6,940,023)

* As restated

Changes in net position, governmental activities. The District's total revenues decreased 17.2% to $83.7 million (See Table A-2). The decrease is due primarily to receiving $14.5 million from a property settlement in the prior fiscal year.

The total cost of all programs and services increased 3.1% to $90.6 million. The District's expenses are predominantly related to educating and caring for students, 80.3%. The purely administrative activities of the District accounted for just 6.4% of total costs. A significant contributor to the increase in costs was due to negotiated salary and benefits increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities 2018	Governmental Activities 2017	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 1,105,236	$ 1,315,542	$ (210,306)
Operating grants and contributions	9,037,709	9,802,310	(764,601)
General Revenues:			
Property taxes	44,929,190	47,661,129	(2,731,939)
Federal and state aid not restricted	25,965,195	25,446,547	518,648
Other general revenues	2,659,593	16,917,948	(14,258,355)
Total Revenues	83,696,923	101,143,476	(17,446,553)
Expenses			
Instruction-related	64,603,523	64,949,021	(345,498)
Pupil services	8,205,799	8,044,677	161,122
Administration	5,823,950	4,781,627	1,042,323
Plant services	7,037,195	6,290,362	746,833
All other activities	4,966,479	3,865,355	1,101,124
Total Expenses	90,636,946	87,931,042	2,705,904
Increase (decrease) in net position	(6,940,023)	13,212,434	(20,152,457)
Total Net Position	$ (27,862,523)	$ (20,922,500)	$ (6,940,023)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $76.1 million, which is below last year's ending fund balance of $90.6 million. The primary cause of decreased fund balance is ongoing capital projects.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
Fund					
General Fund	$ 21,598,515	$ 73,656,964	$ 75,486,036	$ (1,277,984)	$ 18,491,459
Cafeteria Fund	337,959	2,436,073	3,022,016	247,984	-
Deferred Maintenance Fund	697,003	121,980	81,113	-	737,870
Special Reserve Fund (Other Than Capital Outlay)	1,990,015	21,635	-	500,000	2,511,650
Special Reserve Fund (Postemployment Benefits)	2,463,568	19,630	-	-	2,483,198
Building Fund	36,015,997	453,557	11,327,125	-	25,142,429
Capital Facilities Fund	1,484,446	818,060	28,978	-	2,273,528
Special Reserve Fund (Capital Outlay)	14,723,778	1,902,194	951,805	530,000	16,204,167
Bond Interest and Redemption Fund	11,313,695	6,501,209	9,560,674	-	8,254,230
	$ 90,624,976	$ 85,931,302	$ 100,457,747	$ -	$ 76,098,531

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $2.9 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $1.1 million due to negotiated salary increases.
- Other non-personnel expenses – increased $0.6 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $3.6 million, the actual results for the year show that expenditures exceeded revenues by roughly $1.8 million. Actual revenues were $0.5 million more than anticipated, and expenditures were $1.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested $11.8 million in new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded $6.0 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities 2018	Governmental Activities 2017	Variance Increase (Decrease)
Land	$ 2,523,593	$ 2,523,593	$ -
Improvement of sites	41,073,680	43,596,502	(2,522,822)
Buildings	49,016,686	46,549,430	2,467,256
Equipment	2,522,678	2,564,232	(41,554)
Construction in progress	18,691,275	12,903,995	5,787,280
Total	$ 113,827,912	$ 108,137,752	$ 5,690,160

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $154.6 million in general obligation bonds, certificates of participation, and employment benefits – a decrease of 3.9% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2018	2017*	(Decrease)
General obligation bonds	$ 103,849,461	$ 109,505,498	$ (5,656,037)
Capital leases	124,585	114,867	9,718
QZABs	4,836,550	5,299,346	(462,796)
Other postemployment benefits	45,561,746	45,782,505	(220,759)
Compensated absences	236,845	209,071	27,774
Total	$ 154,609,187	$ 160,911,287	$ (6,302,100)

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes $15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level
This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18
From the June 2017 budget plan to the June 2018 budget plan, spending increased $252 million in 2016-17 and $1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of $789 million (on top of a previous $536 million payment). After making the $1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level
For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19
The enacted 2018-19 level is $2.4 billion (3.6%) more than the revised 2017-18 level and $3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.7 billion, $4 billion (70%) is ongoing and $1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates
In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only $202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

All of these factors were considered in preparing the Berryessa Union School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Services Department at the Berryessa Union School District, 1376 Piedmont Road, San Jose, California, 95132.

BERRYESSA UNION SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

		Total Governmental Activities
ASSETS		
Cash	$	78,035,863
Accounts receivable		1,510,258
Inventories		108,732
Prepaid expenses		40,376
Non-depreciable assets		21,214,868
Depreciable assets		174,584,529
Less, accumulated depreciation		(81,971,485)
Total assets		193,523,141
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		22,463,677
Deferred outflows related to OPEB		834,453
Total deferred outflows of resources		23,298,130
LIABILITIES		
Accounts payable		5,157,234
Unearned revenue		36,658
Long-term liabilities:		
Due or payable within one year		5,643,677
Due or payable after one year		148,965,510
Net pension liability		76,798,973
Total liabilities		236,602,052
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		5,543,589
Deferred inflows related to OPEB		2,538,153
Total deferred inflows of resources		8,081,742
NET POSITION		
Net investment in capital assets		42,481,719
Restricted for:		
Capital projects		3,638,400
Debt service		8,254,230
Categorical programs		1,864,791
Unrestricted		(84,101,663)
Total net position	$	(27,862,523)

BERRYESSA UNION SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 53,770,223	$ -	$ 3,579,584	$ (50,190,639)
Instruction-Related Services:				
Supervision of instruction	3,159,663	-	495,176	(2,664,487)
Instructional library, media and technology	819,820	-	6,332	(813,488)
School site administration	6,853,817	-	63,724	(6,790,093)
Pupil Support Services:				
Home-to-school transportation	931,266	-	-	(931,266)
Food services	3,084,751	1,034,836	1,130,740	(919,175)
All other pupil services	4,189,782	-	413,779	(3,776,003)
General Administration Services:				
Data processing services	1,339,492	-	-	(1,339,492)
Other general administration	4,484,458	51,869	208,948	(4,223,641)
Plant Services	7,037,195	18,531	2,196,891	(4,821,773)
Ancillary Services	13,706	-	682	(13,024)
Interest on Long-Term Debt	4,513,972	-	254,796	(4,259,176)
Other Outgo	438,801	-	687,057	248,256
Total Governmental Activities	$ 90,636,946	$ 1,105,236	$ 9,037,709	(80,494,001)

General Revenues:	
Property taxes	44,929,190
Federal and state aid not restricted to specific purpose	25,965,195
Interest and investment earnings	639,569
Miscellaneous	2,020,024
Total general revenues	73,553,978
Change in net position	(6,940,023)
Net position - July 1, 2017, as originally stated	4,603,972
Restatement - change in accounting principle	(25,526,472)
Net position - July 1, 2017, as restated	(20,922,500)
Net position - June 30, 2018	$ (27,862,523)

BERRYESSA UNION SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 23,931,145	$ 26,740,920	$ 16,050,824	$ 11,312,974	$ 78,035,863
Accounts receivable	1,022,661	119,566	153,471	214,560	1,510,258
Due from other funds	590,395	-	-	297,132	887,527
Inventories	41,722	-	-	67,010	108,732
Prepaid expenditures	40,376	-	-	-	40,376
Total Assets	$ 25,626,299	$ 26,860,486	$ 16,204,295	$ 11,891,676	$ 80,582,756
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 1,806,202	$ 1,716,079	$ 128	$ 37,631	$ 3,560,040
Due to other funds	297,132	1,978	-	588,417	887,527
Unearned revenue	36,658	-	-	-	36,658
Total Liabilities	2,139,992	1,718,057	128	626,048	4,484,225
Fund Balances					
Nonspendable	107,098	-	-	77,010	184,108
Restricted	1,864,791	25,142,429	1,364,872	10,527,758	38,899,850
Committed	-	-	-	737,870	737,870
Assigned	4,994,848	-	14,839,295	-	19,834,143
Unassigned	16,519,570	-	-	(77,010)	16,442,560
Total Fund Balances	23,486,307	25,142,429	16,204,167	11,265,628	76,098,531
Total Liabilities and Fund Balances	$ 25,626,299	$ 26,860,486	$ 16,204,295	$ 11,891,676	$ 80,582,756

BERRYESSA UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds			$ 76,098,531
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:			
	Capital assets, at historical cost	$ 195,799,397	
	Accumulated depreciation	(81,971,485)	113,827,912
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:			(45,561,746)
In governmental funds, deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows related to pensions and OPEB are reported. The combined deferred inflows and outflows for the period were:			
	Deferred outflows of resources	23,298,130	
	Deferred inflows of resources	(8,081,742)	15,216,388
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(76,798,973)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	103,849,461	
	Capital leases payable	124,585	
	Compensated absences payable	236,845	
	QZAB payable	4,836,550	(109,047,441)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(1,597,194)
Total net position - governmental activities			$ (27,862,523)

BERRYESSA UNION SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 60,219,894	$ -	$ -	$ 113,000	$ 60,332,894
Federal sources	2,608,936	-	254,796	1,207,130	4,070,862
Other state sources	6,042,549	-	1,341,458	120,534	7,504,541
Other local sources	4,826,850	453,557	305,940	8,436,658	14,023,005
Total Revenues	73,698,229	453,557	1,902,194	9,877,322	85,931,302
EXPENDITURES					
Current:					
Instruction	48,587,605	-	-	-	48,587,605
Instruction-related services:					
Supervision of instruction	2,963,492	-	-	-	2,963,492
Instructional library, media and technology	716,401	-	-	-	716,401
School site administration	5,984,991	-	-	-	5,984,991
Pupil support services:					
Home-to-school transportation	771,191	-	-	-	771,191
Food services	-	-	-	2,840,818	2,840,818
All other pupil services	4,337,631	-	-	-	4,337,631
Ancillary services	14,129	-	-	-	14,129
General administration services:					
Data processing services	1,158,392	-	-	-	1,158,392
Other general administration	4,411,275	-	-	17,448	4,428,723
Plant services	6,123,966	1,056	23,717	131,413	6,280,152
Transfers of indirect costs	(133,503)	-	-	133,503	-
Capital Outlay	57,045	11,326,069	152,595	8,925	11,544,634
Intergovernmental	438,051	-	-	-	438,051
Debt Service:					
Principal	40,706	-	474,939	6,535,000	7,050,645
Interest	14,664	-	300,554	3,025,674	3,340,892
Total Expenditures	75,486,036	11,327,125	951,805	12,692,781	100,457,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,787,807)	(10,873,568)	950,389	(2,815,459)	(14,526,445)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	530,000	247,984	777,984
Interfund transfers out	(777,984)	-	-	-	(777,984)
Total Other Financing Sources and Uses	(777,984)	-	530,000	247,984	-
Net Change in Fund Balances	(2,565,791)	(10,873,568)	1,480,389	(2,567,475)	(14,526,445)
Fund Balances, July 1, 2017	26,052,098	36,015,997	14,723,778	13,833,103	90,624,976
Fund Balances, June 30, 2018	$ 23,486,307	$ 25,142,429	$ 16,204,167	$ 11,265,628	$ 76,098,531

BERRYESSA UNION SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds		$ (14,526,445)
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay, governmental funds	11,766,558	
Depreciation expense	(6,076,398)	
Net:		5,690,160
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		7,050,645
The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was:		(62,567)
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the fund financial statements. However, it is accrued as an expense in the government-wide financial statements in the period that the interest accretes. Accreted interest earned exceeded the amount paid during the year by:		(1,122,864)
In governmental funds, other postenployment benefit (OPEB) costs are recognized when employer contributions are made, in the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between the accrual basis OPEB costs and actual employer contributions was:		(1,482,941)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the debt. Amortization of the premium for the period is:		243,901
In governmental 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 the accrual basis pension costs and actual employer contributions was:		(2,383,682)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(318,456)
In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) This year vacation leave earned exceeded the amounts used by:		(27,774)
Change in net position of governmental activities		$ (6,940,023)

BERRYESSA UNION SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds	Trust Funds	
	Student Body Funds	Scholarship Fund	Total
ASSETS			
Cash	$ 133,870	$ 5,846	$ 139,716
Accounts receivable	-	25	25
Total Assets	$ 133,870	5,871	139,741
LIABILITIES			
Due to student groups	$ 133,870	-	133,870
Total Liabilities	$ 133,870	-	133,870
NET POSITION			
Restricted for student scholarships		5,871	5,871
Total Net Position		$ 5,871	$ 5,871

BERRYESSA UNION SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Trust Funds
	Scholarship Fund
ADDITIONS	
Interest	$ 84
Net increase (decrease) in net position	84
Net Position - July 1, 2017	5,787
Net Position - June 30, 2018	$ 5,871

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects and a Special Reserve Fund for Postemployment Benefits which do not currently meet the definition of a special revenue fund as they are not primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of a special revenue fund under GASB 54, the activity in the funds are being reported within the General Fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and the sale of property.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Debt Service Funds:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. This fund is used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body.

Scholarship Fund: This fund may be used to report formal arrangements under which principal and interest benefit other individuals, private organizations, or other governments. This fund was established to account for funds received and held with the purpose of providing scholarships.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	5-40 years
Furniture and Equipment	5-40 years
Vehicles	5-40 years

4. Unearned Revenue

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid and accumulated annual balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position (continued)

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the Board of Education has provided otherwise in its commitment or assignment actions.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

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

NOTE 2 – CASH

Cash at June 30, 2018, are reported at fair value and consisted of the following:

	Governmental Activities	
	Governmental Funds	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	$ 77,994,277	$ 5,846
Deposits:		
Cash on hand and in banks	6,586	133,870
Cash in revolving fund	35,000	-
Total Deposits	41,586	133,870
Total Cash	$ 78,035,863	$ 139,716

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

NOTE 2 – CASH (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2018, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following:

	Governmental Funds					
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total	Scholarship Fund
Federal Government:						
Categorical aid programs	$ 428,762	$ -	$ -	$ 159,354	$ 588,116	$ -
State Government:						
Lottery	330,105	-	-	-	330,105	-
Special education	96,212	-	-	-	96,212	-
Categorical aid programs	41,192	-	-	11,191	52,383	-
Local:						
Interest	113,324	119,566	67,315	37,307	337,512	25
Other local	13,066	-	86,156	6,708	105,930	-
Total	$ 1,022,661	$ 119,566	$ 153,471	$ 214,560	$ 1,510,258	$ 25

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

General Fund due to Cafeteria Fund for nutrition bad debt and temporary loan	$ 297,132
Cafeteria Fund due to General Fund for indirect costs, retiree health premiums and other charges	587,473
Building Fund due to General Fund for expenditure reimbursements	1,978
Capital Facilities Fund due to General Fund for expenditure reimbursements	944
Total	$ 887,527

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2018, consisted of the following:

General Fund transfer to Cafeteria Fund for program contribution and cash flow	$ 247,984
General Fund transfer to Special Reserve Fund for Capital Outlay Projects to support debt payments	530,000
Total	$ 777,984

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 25,000	$ -	$ -	$ 10,000	$ 35,000
Stores inventories	41,722	-	-	67,010	108,732
Prepaid expenditures	40,376	-	-	-	40,376
Total Nonspendable	107,098	-	-	77,010	184,108
Restricted:					
Categorical programs	1,864,791	-	-	-	1,864,791
Capital projects	-	25,142,429	1,364,872	2,273,528	28,780,829
Debt service	-	-	-	8,254,230	8,254,230
Total Restricted	1,864,791	25,142,429	1,364,872	10,527,758	38,899,850
Committed:					
Deferred maintenance program	-	-	-	737,870	737,870
Total Committed	-	-	-	737,870	737,870
Assigned:					
Other assignments	2,511,650	-	-	-	2,511,650
Capital projects	-	-	14,839,295	-	14,839,295
Postemployment benefits	2,483,198	-	-	-	2,483,198
Total Assigned	4,994,848	-	14,839,295	-	19,834,143
Unassigned:					
Reserve for economic uncertainties	2,220,389	-	-	-	2,220,389
Remaining unassigned balances	14,299,181	-	-	(77,010)	14,222,171
Total Unassigned	16,519,570	-	-	(77,010)	16,442,560
Total	$ 23,486,307	$ 25,142,429	$ 16,204,167	$ 11,265,628	$ 76,098,531

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	$ 2,523,593	$ -	$ -	$ 2,523,593
Construction in progress	12,903,995	5,787,280	-	18,691,275
Total capital assets not being depreciated	15,427,588	5,787,280	-	21,214,868
Capital assets being depreciated:				
Improvement of sites	59,585,934	-	-	59,585,934
Buildings	104,603,467	5,738,883	-	110,342,350
Equipment	4,415,850	240,395	-	4,656,245
Total capital assets being depreciated	168,605,251	5,979,278	-	174,584,529
Accumulated depreciation for:				
Improvement of sites	(15,989,432)	(2,522,822)	-	(18,512,254)
Buildings	(58,054,037)	(3,271,627)	-	(61,325,664)
Equipment	(1,851,618)	(281,949)	-	(2,133,567)
Total accumulated depreciation	(75,895,087)	(6,076,398)	-	(81,971,485)
Total capital assets being depreciated, net	92,710,164	(97,120)	-	92,613,044
Governmental activity capital assets, net	$ 108,137,752	$ 5,690,160	$ -	$ 113,827,912

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:		
Instruction	$	4,559,787
Supervision of instruction		245,795
Instructional library, media and technology		65,950
School site administration		491,422
Home-to-school transportation		65,844
Food services		261,510
Data processing services		101,738
All other general administration		284,352
Total depreciation expense	$	6,076,398

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 93,243,031	$ -	$ 6,535,000	$ 86,708,031	$ 4,955,000
Accreted Interest	11,199,110	1,122,864	-	12,321,974	-
Unamortized Issuance Premium	5,063,357	-	243,901	4,819,456	183,632
Total G.O. Bonds	109,505,498	1,122,864	6,778,901	103,849,461	5,138,632
Capital Leases	114,867	62,567	52,849	124,585	38,547
Qualified School Zone Bonds	5,299,346	-	462,796	4,836,550	466,498
Other Postemployment Benefits	45,782,505	4,008,887	4,229,646	45,561,746	-
Compensated Absences	209,071	27,774	-	236,845	-
Total	$ 160,911,287	$ 5,222,092	$ 11,524,192	$ 154,609,187	$ 5,643,677

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the QZAB and capitalized lease obligations are made from the General and Special Reserve for Capital Outlay Projects Funds. Payments related to compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

1999 Series A General Obligation Bonds
On June 1, 2000, the District issued 1999 Series A General Obligation Bonds in the amount of $11,998,182 for the renovation and improvement of school facilities. The bonds have an interest rate of 4.35% to 6.20% and are scheduled to mature through February 2025.

1999 Series B General Obligation Bonds
On July 1, 2001, the District issued 1999 Series B General Obligation Bonds in the amount of $17,999,707 for the renovation of school facilities. The bonds have an interest rate of 4.0% to 5.63% and are scheduled to mature through August 2026.

1999 Series C General Obligation Bonds
On June 3, 2003, the District issued 1999 Series C General Obligation Bonds in the amount of $18,000,142 for the renovation of school facilities. The bonds have an interest rate of 2.0% to 5.26% and are scheduled to mature through February 2028.

2006 General Obligation Refunding Bonds
On May 30, 2006, the District issued 2006 General Obligation Refunding Bonds in the amount of $22,415,000 for the purposes of refunding prior general obligation bond issuances. The 2006 issuance refunded $7,085,000, $6,480,000 and 7,035,000 of the 1999 Series A, 1999 Series B, and 1999 Series C General Obligation Bonds respectively. The refunding bonds have an interest rate of 4.0% to 5.38% and are scheduled to mature through August 2018.

2011 General Obligation Refunding Bonds
On June 16, 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of $6,385,000 for the purposes of refunding prior general obligation bond issuances. The 2011 issuance refunded $3,740,000 and $2,490,000 of the 1999 Series B and 1999 Series C General Obligation Bonds, respectively. The 1999 Series B and 1999 Series C bonds were repaid through the District's Building Fund. These amounts were paid to the Escrow Agent and are considered to be defeased, and the obligations have been removed from the District's financial statements. The refunding bonds bear interest at rates ranging from 2.00% to 2.50% and matured in August 2016.

2014 General Obligation Bonds
On February 26, 2014, the District issued Series A, 2014 General Obligation Bonds in the amount of $40,000,000 for the purposes of repairing, upgrading, acquiring, constructing, and equipping District property and facilities. The bonds have an interest rate of 3.125% to 5.0% and are scheduled to mature through August 2044.

On May 1, 2017, the District issued Series B, 2014 General Obligation Bonds in the amount of $37,000,000 for the purposes of repairing, upgrading, acquiring, constructing, and equipping District property and facilities. The bonds have an interest rate of 2.0% to 5.0% and are scheduled to mature through August 2044.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The outstanding general obligation bonds issued by the District as of June 30, 2018, are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
1999A	6/1/2000	2/1/2025	4.35%-6.2%	11,998,182	$ 1,878,183	$ -	$ -	$ 1,878,183
1999B	7/1/2001	8/1/2026	4.0%-5.63%	17,999,707	3,019,706	-	-	3,019,706
1999C	6/3/2003	2/1/2028	2.0%-5.26%	18,000,142	3,690,142	-	-	3,690,142
2006 Ref.	5/30/2006	8/1/2018	4.0%-5.38%	22,415,000	8,655,000	-	5,185,000	3,470,000
2014A	2/26/2014	8/1/2044	3.125%-5.0%	40,000,000	39,000,000	-	1,350,000	37,650,000
2014B	5/1/2017	8/1/2044	2.0%-5.0%	37,000,000	37,000,000	-	-	37,000,000
					$ 93,243,031	$ -	$ 6,535,000	$ 86,708,031
				Accreted Interest				
				1999A	$ 3,298,219	$ 325,073	$ -	$ 3,623,292
				1999B	4,142,515	407,746	-	4,550,261
				1999C	3,758,376	390,045	-	4,148,421
					$ 11,199,110	$ 1,122,864	$ -	$ 12,321,974

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	$ 4,955,000	$ 3,109,020	$ 8,064,020
2019-2020	1,470,000	2,986,363	4,456,363
2020-2021	678,430	3,766,833	4,445,263
2021-2022	1,409,674	4,890,513	6,300,187
2022-2023	2,136,332	5,887,855	8,024,187
2023-2028	12,598,595	28,716,468	41,315,063
2028-2033	11,635,000	11,468,625	23,103,625
2033-2038	16,770,000	8,655,056	25,425,056
2038-2043	23,480,000	4,594,175	28,074,175
2043-2045	11,575,000	443,825	12,018,825
	$ 86,708,031	$ 74,518,733	$ 161,226,764

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Qualified Zone Academy Bond

In May 2011, the District issued a Qualified Zone Academy Bond (QZAB) in the amount of $8,000,000. The QZAB is scheduled to mature in August 2027, and the unpaid principal balance was as $4,836,550 as of June 30, 2018.

The Qualified Zone Academy Bonds are scheduled to mature as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	$ 466,498	$ 260,087	$ 726,585
2019-2020	470,230	233,624	703,854
2020-2021	473,992	206,950	680,942
2021-2022	477,784	180,062	657,846
2022-2023	481,606	152,959	634,565
2023-2028	2,466,440	350,606	2,817,046
Total	$ 4,836,550	$ 1,384,288	$ 6,220,838

C. Capitalized Lease Obligations

The District leases various vehicles and office equipment valued at $221,449 under capital lease agreements, and also leases modular buildings from the City of San Jose to provide child care services. The District has included in equipment, capital assets which were acquired under capitalized lease obligations.

Future yearly payments on capitalized lease obligations are as follows:

Fiscal Year		Lease Payment
2018-19		$ 45,365
2019-20		42,431
2020-21		32,051
2021-22		15,756
2022-23		4,184
	Total payments	139,787
	Less amount representing interest	(15,202)
	Present value of minimum lease payments	$ 124,585

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

D. Energy Conservation Assistance Loan

In May 2017 the District was approved for an Energy Conservation Assistance Act zero percent interest loan. The loan was approved for a maximum of $911,000 to be disbursed on a reimbursement basis based on invoices submitted by the District to the Energy Commission. Once the initial disbursement is made, the loan will be repaid over 36 semi-annual payments. As of June 30, 2018, a total of $86,156 was expended and eligible for disbursement to the District. No funds have been received by the district as of June 30, 2018.

NOTE 8 – JOINT VENTURES

The District is a member with other school districts in three joint powers agencies for common risk management and insurance related to workers' compensation, property/liability and health care, South Bay Area Schools Insurance Authority (SBASIA), Santa Clara County School Insurance Group (SCCSIG) and Schools Excess Liability Fund (SELF). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The District is also a member with other school districts in East Valley Schools Transportation Agency (EVSTA), a joint powers authority that provides bus services to member districts. There have been no significant reductions in the level of insurance coverage from the prior year. The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

The following is a summary of audited financial information of SBASIA, SCCSIG, SELF and EVSTA at June 30, 2017, the most current information available:

	SBASIA	SCCSIG	SELF	EVSTA
Assets	$ 5,442,545	$ 21,561,192	$ 126,226,732	$ 383,363
Deferred Outflows	-	168,209	353,399	-
Liabilities	3,855,991	6,318,069	104,103,406	115,699
Deferred Inflows		23,349	47,698	-
Net Position	$ 1,586,554	$ 15,387,983	$ 22,429,027	$ 267,664
Revenues	$ 3,508,638	$ 36,088,227	$ 14,641,179	$ 2,439,818
Expenses	4,666,817	34,053,133	13,746,773	2,439,818
Change in Net Position	$ (1,158,179)	$ 2,035,094	$ 894,406	$ -

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of approximately $7.3 million to be paid from local funds.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2018.

NOTE 10 – RISK MANAGEMENT

Property and Liability

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

Workers' Compensation

For the fiscal year 2017-18, the District participated in the Public Entity Protected Insurance Program (PEPIP), an insurance purchasing pool. The purpose of the PEPIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA.

Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to districts that can meet the JPA selection criteria. The firm of Keenan & Associates provides administrative, cost control, and actuarial services to the JPA.

NOTE 11 - PENSION PLANS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 57,184,142	$ 15,844,926	$ 5,312,649	$ 6,081,852
CalPERS	19,614,831	6,618,751	230,940	3,964,027
Total	$ 76,798,973	$ 22,463,677	$ 5,543,589	$ 10,045,879

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

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

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

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

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $5,039,424.

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 57,184,142
State's proportionate share of the net pension liability associated with the District	13,354,706
Total	$ 70,538,848

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Change Increase/ (Decrease)
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.061834%	0.063000%	-0.000020%

For the year ended June 30, 2018, the District recognized pension expense of $6,081,852. In addition, the District recognized pension expense and revenue of $602,850 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,039,424	$ -
Net change in proportionate share of net pension liability	-	2,792,292
Difference between projected and actual earnings on pension plan investments	-	1,522,973
Changes of assumptions	10,594,030	-
Differences between expected and actual experience in the measurement of the total pension liability	211,472	997,384
Total	$ 15,844,926	$ 5,312,649

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (131,904)
2020	2,092,267
2021	1,272,347
2022	(219,090)
2023	1,249,469
Thereafter	1,229,764
Total	$ 5,492,853

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 83,964,476
Current discount rate (7.10%)	57,184,142
1% increase (8.10%)	35,450,087

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,757,075 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

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

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

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions (continued)
The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,019,920.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $19,614,831. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Change Increase/ (Decrease)
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.082164%	0.081600%	-0.000189%

For the year ended June 30, 2018, the District recognized pension expense of $3,964,027. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,019,920	$ -
Net change in proportionate share of net pension liability	352,518	-
Difference between projected and actual earnings	678,539	
on pension plan investments	-	-
Changes of assumptions	2,865,055	230,940
Differences between expected and actual experience in the measurement of the total pension liability	702,719	-
Total	$ 6,618,751	$ 230,940

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,226,810
2020	2,035,783
2021	1,453,680
2022	(348,382)
2023	-
Thereafter	-
Total	$ 4,367,891

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assets	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 28,859,702
Current discount rate (7.15%)	19,614,831
1% increase (8.15%)	11,945,436

C. Social Security
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2018, the District reported payables of $38,466 and $12,883 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description
The District's defined benefit OPEB plan provides benefits for employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Board policy grants the authority to establish and amend the benefit terms and financing requirements through the collective bargaining process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided
The District contributes towards post-retirement health benefits for employees who retire after meeting certain age and service requirements. All employees who retire after age 55 and choose coverage under CalPERS health plan are eligible to receive the District Basic Contribution (DBC) for as long as the retired person or his/her spouse lives (if the retirement option the employee selected provides the spouse with monthly benefits after the employee's death). The DBC is $125 per month, and expected to continue to increase in future years. The amounts described in the following paragraphs are paid in addition to the DBC.

Certificated (and management employees hired into a management position on or after 7/1/2010) who retire with at least 15 years of service, and who are at least age 55, are paid the excess of the Kaiser single-employee premium over the DBC. If the employee had at least 20 years of service, dental and vision coverage for the retired employee is included. If the employee had at least 30 years of service, the employee's spouse is also covered for medical, dental and vision benefits. Certificated employees must be continuously employed prior to June 30, 2015. All these benefits, except for the DBC, cease when the retired employee reaches age 65.

Management employees. The maximum monthly benefit paid to retired management employees (age 55 and 5 consecutive years in management position) is $1,100. Management employees must be hired before July 1, 2010 to be eligible for benefits. Employees promoted into a Management position after July 1, 2010 without interruption in service will be eligible for the early retirement which is provided to employees in the bargaining unit from which he/she was promoted.

Classified employees (CSEA) hired before 7/1/2007 who retire with at least 15 years of service, and who are at least age 55, are paid the excess of the Kaiser single-employee premium (Kaiser premium amount is fixed at the time of retirement) over the DBC. If hired before 7/1/2007 and retiring with at least 20 years of service, or if hired after 1/1/2002 and retiring with at least 30 years of service, dental and vision coverage for the retired employee are included (all premium amounts are fixed at the time of retirement). If the employee was hired before 2002 and had at least 30 years of service, the employee's spouse is also covered for medical, dental and vision benefits (total benefits not to exceed the Kaiser two-party rate); in this case, premium amounts are not fixed at the time of retirement. All these benefits, except for the DBC, cease when the retired employee reaches age 65. Classified employees hired after 6/30/2007 receive the DBC. All benefits are pro-rated based on the number of hours worked, if the employee was working part-time at the time of retirement.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Teamster employees hired before 7/1/2007 who retire with at least 15 years of service, and who are at least age 55, are paid the excess of the Kaiser single-employee premium over the DBC. The rate cap is increased by 5% on the first two January 1st's after retirement, and remains unchanged thereafter. If hired before 7/1/2007 and retiring with at least 20 years of service, dental and vision coverage for the retired employee are included (rate caps are increased by 5% on the first two January 1st's after retirement, and remain unchanged thereafter). If the employee was hired before 7/1/2007 and had at least 30 years of service, the benefit payable is (1) medical coverage for the employee and spouse (not to exceed the Kaiser two-party rate, fixed at the time of retirement), and (2) employee-only dental and vision. All these benefits, except for the DBC, cease when the retired employee reaches age 65. Teamster employees hired after 6/30/2007 only receive the DBC.

Retiree Contributions: Retirees pay all amounts in excess of the District's payments.

Lump Sum Option: In lieu of receiving the benefits described above, a retiring employee may choose to receive a lump sum equal to $500 multiplied by the number of years of service (not to exceed 30 years). According to the District, it is rare for a retiring employee to choose this option, so this was not valued.

Employees covered by benefit terms
At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	38
Active employees	674
Total	712

Medicare Premium Payment (MPP) Program
The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Total Net OPEB Liability
The components of the net OPEB liability of the District at June 30, 2018 were as follows:

	District Plan	MPP Program	Totals
Total OPEB liability	$ 45,147,708	$ 414,078	$ 45,561,786
Plan fiduciary net position	-	40	40
District's net OPEB liability	$ 45,147,708	$ 414,118	$ 45,561,826
Plan fiduciary net position as a percentage of the total OPEB liability		0.01%	

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total Net OPEB Liability (continued)

Actuarial assumptions and other inputs
The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	3.13 percent	N/A
Salary increases	N/A	N/A
Healthcare cost trend rates	6.1% in 2017, 5.8% in 2018, 5.5% per year thereafter	3.58 percent
Retirees' share of benefit-related costs	Dependent upon employees classification and tenure of service provided to the District.	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

District Plan
The discount rate of 3.13% as of June 30 2017 (and 2.71% as of June 30 2016) was the S&P Municipal Bond 20 Year High Grade Rate Index on those dates.

Mortality rates were based on the 2014 CalPERS OPEB Model (classified and Teamster employees), and from the 2016 CalSTRS experience study (certificated and management employees).

MPP Program
CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	$ 45,321,904
Changes for the year:	
Service cost	2,758,118
Interest	1,209,410
Changes in assumptions or other inputs	(2,753,251)
Benefit payments	(1,388,473)
Net changes	(174,196)
Balance at June 30, 2018	$ 45,147,708

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

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

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
District Plan	$ 52,109,434	$ 45,147,708	$ 39,432,883

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	$ 458,369	$ 414,038	$ 370,917

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

	1% Decrease 4.5%-4.8%	Healthcare Cost Trend Rates 5.5%-5.8%	1% Increase 6.5%-6.8%
District Plan	$ 42,210,071	$ 45,147,708	$ 48,705,045

	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	$ 374,147	$ 414,038	$ 453,531

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $4,229,646. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 834,453	$ -
Changes of assumptions or other inputs	-	2,538,153
Total	$ 834,453	$ 2,538,153

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (215,098)
2020	(215,098)
2021	(215,098)
2022	(215,098)
2023	(215,098)
Thereafter	(1,462,663)
Total	$ (2,538,153)

Required Supplementary Information

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BERRYESSA UNION SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 60,010,594	$ 60,285,019	$ 60,219,894	$ (65,125)
Federal Sources	2,515,802	2,753,868	2,608,936	(144,932)
Other State Sources	4,778,423	5,874,242	6,042,549	168,307
Other Local Sources	3,030,921	4,280,339	4,785,585	505,246
Total Revenues	70,335,740	73,193,468	73,656,964	463,496
Expenditures				
Current:				
Certificated Salaries	35,113,116	36,051,629	36,305,830	(254,201)
Classified Salaries	9,947,225	10,356,637	10,206,054	150,583
Employee Benefits	20,125,392	19,894,309	19,516,941	377,368
Books and Supplies	2,955,295	3,709,464	2,489,794	1,219,670
Services and Other Operating Expenditures	6,519,381	6,310,565	6,477,877	(167,312)
Capital Outlay	5,000	94,898	129,622	(34,724)
Intergovernmental	439,377	401,267	304,548	96,719
Debt Service	12,386	12,386	55,370	(42,984)
Total Expenditures	75,117,172	76,831,155	75,486,036	1,345,119
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,781,432)	(3,637,687)	(1,829,072)	1,808,615
Other Financing Sources and Uses				
Interfund Transfers Out	(1,030,000)	(1,277,410)	(1,277,984)	(574)
Total Other Financing Sources and Uses	(1,030,000)	(1,277,410)	(1,277,984)	(574)
Net Change in Fund Balance	(5,811,432)	(4,915,097)	(3,107,056)	1,808,041
Fund Balances, July 1, 2017	21,598,515	21,598,515	21,598,515	-
Fund Balances, June 30, 2018	$ 15,787,083	$ 16,683,418	$ 18,491,459	$ 1,808,041

* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.0618%	0.0630%	0.0660%	0.0650%
District's proportionate share of the net pension liability	$ 57,184,142	$ 50,955,030	$ 44,302,000	$ 38,192,000
State's proportionate share of the net pension liability associated with the District	13,354,706	29,012,060	23,430,811	23,062,210
Totals	$ 70,538,848	$ 79,967,090	$ 67,732,811	$ 61,254,210
District's covered-employee payroll	$ 33,012,273	$ 31,623,234	$ 30,543,000	$ 29,110,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.22%	161.13%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.0822%	0.0816%	0.0800%	0.0780%
District's proportionate share of the net pension liability	$ 19,614,831	$ 16,116,050	$ 11,818,000	$ 8,823,000
District's covered-employee payroll	$ 12,774,590	$ 12,533,798	$ 8,876,000	$ 8,159,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	*153.55%*	128.58%	133.15%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms
A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods
CalSTRS:
The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:
In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 5,039,424	$ 4,152,944	$ 3,393,173	$ 2,712,184
Contributions in relation to the contractually required contribution	5,039,424	4,152,944	3,393,173	2,712,184
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 34,923,241	$ 33,012,273	$ 31,623,234	$ 30,543,000
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 2,019,920	$ 1,774,135	$ 1,484,879	$ 1,044,818
Contributions in relation to the contractually required contribution	2,019,920	1,774,135	1,484,879	1,044,818
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 13,005,730	$ 12,774,590	$ 12,533,798	$ 8,876,000
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018
Total OPEB liability	
Service cost	$ 2,758,118
Interest	1,209,410
Changes of assumptions or other inputs	(2,753,251)
Benefit payments	(1,388,473)
Net change in total OPEB liability	(174,196)
Total OPEB liability - beginning	45,321,904
Total OPEB liability - ending	$ 45,147,708
Covered-employee payroll	$ 45,360,521
Total OPEB liability as a percentage of covered-employee payroll	99.53%

Notes to Schedule:
None noted.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

(Dollars in Thousands, except for District's proportionate share)

	2018
Total OPEB liability	
Interest	$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	$ 420,749
Plan fiduciary net position	
Contributions - employer	$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	$ 41
Net OPEB liability	$ 420,708
District's proportionate share of net OPEB liability	$ 414,038
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

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

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

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

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
Certificated Salaries	$ 254,201
Services and Other Operating Expenditures	167,312
Capital Outlay	34,724
Debt Service	42,984
Interfund Transfers Out	574

Supplementary Information

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Berryessa Union School District was established in 1855. The District is a political subdivision of the State of California. The District is located in the city of San Jose in Santa Clara County and is comprised of an area of approximately 12 square miles. The District currently operates ten elementary schools and three middle schools. There were no changes in the boundaries of the District during the year.

The Board of Education of Berryessa Union School District is composed of five members elected at large within the boundaries of the District. The Board and Administrative Staff manage and control the affairs of the District.

GOVERNING BOARD

Member	Office	Term Expires
Hugo Jimenez	President	November, 2018
Khoa Nguyen	Vice President	November, 2020
Richard Claspill	Clerk	November, 2020
Thelma Boac	Member	November, 2018
David Cohen	Member	November, 2018

DISTRICT ADMINISTRATORS

Roxane Fuente,
Superintendent

Phuong Le,
Deputy Superintendent, Administrative Services

Darrien Johnson,
Assistant Superintendent, Human Services

Joseph M. McCreary, Ed.D.,
Assistant Superintendent, Education Services

BERRYESSA UNION SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS					
Cash	$ 83,709	$ 734,768	$ 2,264,924	$ 8,229,573	$ 11,312,974
Accounts receivable	177,253	3,102	9,548	24,657	214,560
Due from other funds	297,132	-	-	-	297,132
Inventories	67,010	-	-	-	67,010
Total Assets	$ 625,104	$ 737,870	$ 2,274,472	$ 8,254,230	$ 11,891,676
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 37,631	$ -	$ -	$ -	$ 37,631
Due to other funds	587,473	-	944	-	588,417
Total Liabilities	625,104	-	944	-	626,048
Fund Balances					
Nonspendable	77,010	-	-	-	77,010
Restricted	-	-	2,273,528	8,254,230	10,527,758
Committed	-	737,870	-	-	737,870
Unassigned	(77,010)	-	-	-	(77,010)
Total Fund Balances	-	737,870	2,273,528	8,254,230	11,265,628
Total Liabilities and Fund Balances	$ 625,104	$ 737,870	$ 2,274,472	$ 8,254,230	$ 11,891,676

BERRYESSA UNION SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES					
LCFF sources	$ -	$ 113,000	$ -	$ -	$ 113,000
Federal sources	1,207,130	-	-	-	1,207,130
Other state sources	73,165	-	-	47,369	120,534
Other local sources	1,155,778	8,980	818,060	6,453,840	8,436,658
Total Revenues	2,436,073	121,980	818,060	6,501,209	9,877,322
EXPENDITURES					
Current:					
Pupil support services:					
Food services	2,840,818	-	-	-	2,840,818
General administration services:					
Other general administration	-	-	17,448	-	17,448
Plant services	47,695	81,113	2,605	-	131,413
Transfers of indirect costs	133,503	-	-		133,503
Capital outlay	-	-	8,925	-	8,925
Debt service:					
Principal	-	-	-	6,535,000	6,535,000
Interest	-	-	-	3,025,674	3,025,674
Total Expenditures	3,022,016	81,113	28,978	9,560,674	12,692,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	(585,943)	40,867	789,082	(3,059,465)	(2,815,459)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	247,984	-	-	-	247,984
Net Change in Fund Balances	(337,959)	40,867	789,082	(3,059,465)	(2,567,475)
Fund Balances, July 1, 2017	337,959	697,003	1,484,446	11,313,695	13,833,103
Fund Balances, June 30, 2018	$ -	$ 737,870	$ 2,273,528	$ 8,254,230	$ 11,265,628

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report Certificate No. (4ADC78AB)	Annual Report Certificate No. (0A78E7E4)
Regular ADA:		
Transitional Kindergarten through Third	2,963.04	2,963.02
Fourth through Sixth	2,291.60	2,288.50
Seventh through Eighth	1,629.73	1,628.08
Total Regular ADA	6,884.37	6,879.60
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	1.02	0.92
Fourth through Sixth	2.32	2.49
Seventh through Eighth	0.14	0.28
Total Special Education, Nonpublic, Nonsectarian Schools	3.48	3.69
Total ADA	6,887.85	6,883.29

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

Grade Level	Required Minutes	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	42,300	180	Complied
Grade 1	50,400	51,000	180	Complied
Grade 2	50,400	51,000	180	Complied
Grade 3	50,400	51,000	180	Complied
Grade 4	54,000	54,540	180	Complied
Grade 5	54,000	54,540	180	Complied
Grade 6	54,000	58,788	180	Complied
Grade 7	54,000	58,788	180	Complied
Grade 8	54,000	58,788	180	Complied

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019[2]	2018[3]	2017	2016
Revenues and other financing sources	$ 74,470,622	$ 73,656,964	$ 74,155,813	$ 76,630,121
Expenditures	78,954,267	75,486,036	72,229,276	68,300,373
Other uses and transfers out	1,030,000	1,277,984	1,530,000	466,522
Total outgo	79,984,267	76,764,020	73,759,276	68,766,895
Change in fund balance (deficit)	(5,513,645)	(3,107,056)	396,537	7,863,226
Ending fund balance	$ 12,977,814	$ 18,491,459	$ 21,598,515	$ 21,201,978
Available reserves [1]	$ 11,061,396	$ 16,519,570	$ 18,734,244	$ 18,799,570
Available reserves as a percentage of total outgo	13.8%	21.5%	25.4%	27.3%
Total long-term debt	$ 225,764,483	$ 231,408,160	$ 227,982,367	$ 153,752,014
Average daily attendance at P-2 [2]	6,768	6,888	7,104	7,244

The General Fund balance has decreased by $2,710,519 over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of $5,513,645. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating suplus in two of the past three years, but anticipates incurring an operating deficit during the 2018-19 fiscal year. Long-term debt has increased by $77,656,146 over the past two years.

Average daily attendance has decreased by 356 over the past two years. A decrease of 120 ADA is anticipated during the fiscal year 2018-19.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2018.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

BERRYESSA UNION SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Department of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 119,398	
National School Lunch Program	10.555	13523	910,424	
USDA Donated Foods	10.555	N/A	177,308	
Subtotal Child Nutrition Cluster				$ 1,207,130
Total U.S. Department of Agriculture				1,207,130
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants	84.010	14329		703,587
Title II, Part A, Supporting Effective Instruction	84.367	14341		149,908
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	231,787	
Title III, Immigrant Education Program	84.365	15146	32,425	
Subtotal English Language Acquisition Grants Cluster				264,212
Passed through California Department of Education:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,158,258	
Local Assistance, Part B, Private School ISPs	84.027	10115	17,303	
Preschool Grants, Part B, Sec 619 (Age 3-4-5)	84.173	13430	35,119	
Preschool Local Entitlement, Part B, Sec 611 (Age 3-4-5)	84.027A	13682	94,192	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	56,046	
Subtotal Special Education Cluster (IDEA)				1,360,918
Total U.S. Department of Education				2,478,625
U.S. Department of Health & Human Services:				
Passed through California Department of Education:				
Medi-Cal Administrative Activities (MAA)	93.778	10060		267,718
Total U.S. Department of Health & Human Services				267,718
Total Expenditures of Federal Awards				$ 3,953,473

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

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

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 4,070,862
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	137,407
Federal reimbursement of interest paid for QZAB	N/A	(254,796)
Total Schedule of Expenditures of Federal Awards		$ 3,953,473

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Other Independent Auditors' Reports

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NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

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

Board of Education
Berryessa Union School District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berryessa Union School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Berryessa Union School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Berryessa Union 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 the Berryessa Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berryessa Union School District's internal control.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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

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

Nigro + Nigro, PC

Murrieta, California
December 10, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Berryessa Union School District
San Jose, California

Report on State Compliance
We have audited Berryessa Union School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Berryessa Union School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Berryessa Union School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Berryessa Union 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 state program. However, our audit does not provide a legal determination of Berryessa Union School District's compliance.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Berryessa Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Nigro + Nigro, PC

Murrieta, California
December 10, 2018

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

Board of Education
Berryessa Union School District
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Berryessa Union School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Berryessa Union School District's major federal programs for the year ended June 30, 2018. Berryessa Union School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Berryessa Union 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 Berryessa Union 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 Berryessa Union School District's compliance.

Opinion on Each Major Federal Program

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Report on Internal Control Over Compliance

Management of Berryessa Union 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 Berryessa Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

Nigro+Nigro, PC

Murrieta, California
December 10, 2018

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 500.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2017-001: School-Wide Plans	Code of Federal Regulations (CFR) Title 34 – Education, Part 200, section 200.28(e), requires grantees and sub-grantees to complete a school-wide plan which contains certain required components, one of which is a transition plan for assisting preschool children in the successful transition to the schoolwide program. The school-wide plans for Northwood Elementary lacked the required element regarding a transition plan for assisting preschool children in the successful transition to the schoolwide program.	50000	The District should closely monitor the reporting of the school-wide plans and include a transition plan for assisting preschool children in the successful transition to the schoolwide program in its school-wide plans to ensure that all required elements are being addressed.	Implemented.
Finding 2017-002: Instructional Materials Hearing	California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District. The District did not provide for 10-day notice of the public hearing regarding the sufficiency of textbooks and instructional materials.	70000	We recommend that the District create a listing of critical deadlines for board action and ensure that proper notice is provided, and all steps are completed as required by Education Code.	Implemented.

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To the Board of Education
Berryessa Union School District
San Jose, California

In planning and performing our audit of the basic financial statements of Berryessa Union School District for the year ending June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2018, on the financial statements of Berryessa Union School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing of cash receipts, we noted several deposits lacked sufficient documentation at **Morrill Middle**. In addition, it was noted at **Sierramont Middle**, that approval of fundraisers was not documented in the meeting minutes. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. Additionally, it is important that all fundraisers be properly approved and that all proceeds can be tied to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

Recommendation: We recommend that before any events are held, that they be properly approved and control procedures be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: In our test of cash disbursements, we noted instances at **Piedmont Middle**, and **Sierramont Middle** in which disbursements were not approved by the District representative, the ASB advisor, and the student representative until after the expenditure had already been incurred or approval dates could not be verified.

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

We will review the status of the current year comments during our next audit engagement.

Nigro + Nigro, PC

Murrieta, California
December 10, 2018

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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