LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2017

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2017
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INDEPENDENT AUDITORS' REPORT

Board of Education
Livermore Valley Joint Unified School District
Livermore, 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 Livermore Valley Joint Unified School District, as of and for the fiscal year ended June 30, 2017, 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 *2016-17 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 Livermore Valley Joint Unified School District, as of June 30, 2017, 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 | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 49, schedule of funding progress on page 50, schedule of proportionate share of the net pension liability on page 51, and schedule of pension contributions on page 52 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 56 to 58 and the schedule of expenditures of federal awards on page 59 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 pages 55 and 61 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 November 28, 2017, 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
November 28, 2017

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments) issued June 1999. Certain comparative information between the current and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

This section provides an overview of the District's financial activities.

- The District ended the 2016-17 fiscal year with a General Fund ending balance of approximately $11.6 million. Of this amount, $2.6 million is from restricted programs to be used in 2017-18 and $0.2 million is committed for revolving cash, stores inventory, and encumbered expenses. The Board has designated $4.0 million as a reserve for economic uncertainties which leaves $3.7 million as undesignated.

- An additional school site was needed three months into the school year to accommodate an increase in student enrollment due to various issues that were happening at the charter schools. The District opened a satellite campus to Rancho Elementary for over 300 additional students. The site is now considered a separate school and has been named Lawrence Elementary School.

- The District's largest operating expenditures are salaries and benefits. In 2016, the Board of Education approved a 2.5% competitive compensation increase to all employees. The District is in the process of negotiating for future years.

- The District passed Measure J, a $245.0 million General Obligation bond measure, in June 2016 with a 66.84% approval. In October 2016, the District issued $82 million to begin repairing and upgrading the District's aging facilities to ensure a safe and modern education environment.

FUND FINANCIAL STATEMENTS

The District tracks revenue and expenditures for accounting purposes through thirteen active funds. Some funds are required by bond covenants and by State law and other funds are established by the District to control and manage a variety of activities for particular purposes, such as repaying its long-term debts. The detailed information about the most significant funds is provided in the fund financial statements.

The District maintains three classes of funds:

1. **Governmental funds**: Most of the District's basic services are included in governmental funds, which include the General Fund (01), the Building Fund (21), the Capital Facilities Fund (25), the County Schools Facility Fund (35), the Bond Interest and Redemption Fund (51), special revenue funds (11, 12, and 13), and special reserve funds (14, 17, and 20). These funds generally focus on how cash and other financial assets flow into and out of those funds and the balances left at year-end that are available for spending in subsequent years.

FUND FINANCIAL STATEMENTS (continued)

1. **Governmental funds (continued)**: Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of 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. **Proprietary funds:** The proprietary fund category includes Enterprise and Internal Service Funds. The Internal Service funds report activities that provide supplies and services for other programs and activities of the District. The District has no Enterprise funds. Proprietary funds are reported in the same way as the district-wide statements. Currently, the District has one internal service fund—the Property Self-Insurance Fund (67).

3. **Fiduciary funds:** The fiduciary funds record assets that are not technically the property of the District, such as scholarship funds and student activities funds. In this category, the District has several Student Body Funds and one Scholarship Fund (73). The District, as trustee or fiduciary, is responsible by law for ensuring that these funds are used only for their intended purpose and by those to whom the assets belong. The District reports the activity in each fund in a separate statement of net position. The transactions in these funds are excluded from the district-wide financial statements because the assets are unavailable for use by the District.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year. It is prepared using the accrual basis of accounting, which is similar to that used by most private-sector businesses. The Statement of Net Position is a "point in time" financial statement. Its purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data for assets, deferred outflows/inflows, liabilities (current and non-current) and net position (assets plus deferred outflows minus liabilities minus deferred inflows).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets, deferred outflows and total liabilities, deferred inflows (net position) is one indicator of the current financial condition of the District. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. In this regard, assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The net position is presented in two major categories. The first category provides the information in regards to equity amounts in property, plant, and equipment owned by the District. The second category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

STATEMENT OF NET POSITION (continued)
The Statement of Net Position as of June 30, 2016 and June 30, 2017 is summarized below:

	2016	2017
Assets		
Cash [1]	$ 29,013,238	$ 126,385,221
Accounts receivable and prepaid expenditures	6,700,935	10,573,961
Stores inventories	242,600	237,675
Net OPEB asset	998,397	721,782
Capital assets, net	138,977,705	137,135,602
Total Assets	175,932,875	275,054,241
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	14,521,316	27,319,856
Deferred amounts on refunding	1,191,335	1,085,711
Total Deferred Outflows of Resources	15,712,651	28,405,567
Liabilities		
Long-term liabilities	80,068,833	161,049,545
Net pension liability	102,972,322	123,291,880
Other liabilities	14,139,495	19,751,056
Total Liabilities	197,180,650	304,092,481
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	14,028,189	9,223,405
Total Deferred Inflows of Resources	14,028,189	9,223,405
Net Position		
Net investment in capital assets	59,698,364	61,905,414
Restricted	15,382,831	25,215,399
Unrestricted	(94,644,508)	(96,976,891)
Total Net Position	$ (19,563,313)	$ (9,856,078)

[1] Includes bond funds on deposit with the Alameda County Treasurer.

- Cash is invested with the Alameda County Treasury as is explained in the notes accompanying the financial statements.
- Accounts receivable are primarily amounts due from the State and Federal government for the operation of categorical programs.
- Long-term liabilities includes the State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS) net pension liability based on GASB 68.
- Other liabilities consist of accounts payable to vendors, payroll and related expenses as well as revenues for categorical programs deferred to the next fiscal year.

STATEMENT OF ACTIVITIES

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Activities. The purpose of this statement is to present the total revenues earned, whether received or not and the total expenses incurred, whether paid or not, by all the District's governmental funds. Thus, this Statement presents the District's results of operations in all governmental and proprietary funds.

The Statement of Activities for the year ended June 30, 2016 and for the year ended June 30, 2017 is summarized below:

	2016*	2017
Revenues		
Program revenues:		
Charges for services	$ 1,651,874	$ 1,803,483
Operating grants and contributions	22,403,934	23,961,294
General revenues:		
Property taxes	60,236,622	73,249,486
Grants, subsidies and contributions unrestricted	55,269,401	55,957,187
Interest and investment earnings	71,462	497,234
Transfers from other agencies	559,092	691,285
Other	4,796,059	4,128,813
Gain on sale of property	-	8,621,279
Total revenues	144,988,444	168,910,061
Expenses		
Instruction	77,664,662	86,950,224
Instruction related services	16,955,199	18,666,515
Pupil services	13,291,658	14,597,511
Ancillary services	891,340	1,217,972
Community services	207,709	194,968
General administration	6,623,188	8,499,659
Plant services	13,689,286	17,996,875
Transfers between agencies	2,225,984	2,284,486
Other outgo and debt service	2,698,529	4,360,940
Depreciation (unallocated)	4,379,281	4,433,676
Total expenses	138,626,836	159,202,826
Increase (decrease) in Net Position	6,361,608	9,707,235
Net Position, Beginning of Year	(25,924,921)	(19,563,313)
Net Position, End of Year	$ (19,563,313)	$ (9,856,078)

*Charges for services and other general revenues were updated to reflect how those revenues are being categorized beginning in 2016-17.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had $137.1 million invested in net capital assets, primarily related to land, buildings, and other capital improvements.

Note 6 to the financial statement provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	2016	2017
Land	$ 7,758,228	$ 7,696,823
Improvements of Sites	9,032,692	9,798,974
Buildings	119,734,951	116,738,492
Equipment	434,640	496,769
Construction in Progress	2,017,194	2,404,544
Net capital assets	$ 138,977,705	$ 137,135,602

Debt Administration

Note 7 to the financial statement provides additional information on outstanding debt. A summary of the District's outstanding debt at year-end is presented below:

	2016	2017
General Obligation Bonds	$ 70,845,000	$ 148,505,000
Unamortized Premium	7,925,346	11,473,727
Capital Leases	303,391	205,753
Net Pension Liability	102,972,322	123,291,880
Compensated Absences	995,096	865,065
Net long-term debt	$ 183,041,155	$ 284,341,425

GENERAL FUND BUDGET

During the fiscal year, the Board of Education authorized revisions to the original budget to take account of differences in actual expenditures. A summary budgetary comparison schedule for the General Fund is presented on page 49.

Variations between the original and final budget amounts were primarily due to carryover of unspent dollars and new funding for categorical programs. These amounts were unknown at the time the original budget was adopted.

The excess of expenditures over appropriations for employee benefits was due to an adjustment to the STRS on-behalf payment (GASB 68) amount.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

Local Control Funding Formula (LCFF)
Our single largest source of funding is State funds. In 2013-14, the State Budget incorporated the new Local Control Funding Formula (LCFF). The LCFF replaced the Revenue Limit and most State categorical programs. It uses base grants per pupil, with supplemental funding provided for students who are English learners, foster youth, or eligible for the Free and Reduced-Price Meals (FRPM) Program. The base grant will be further adjusted by grade level to provide for smaller class sizes in the early elementary years and for career-technical education in high school. The new formula will be phased in over several years and is expected to be fully implemented by 2020-21.

Local Control and Accountability Plan (LCAP)
The Local Control and Accountability Plan (LCAP) is an important component of the Local Control Funding Formula (LCFF), the State's new way of funding school districts. The LCAP utilizes a standardized template to describe how our district will address State and local priorities for all students and for specific student groups defined in Education Code. The Plan includes goals and associated measures to monitor progress as well as action steps and associated budget amounts for those actions. Everything that is budgeted in the LCAP is in the District's LCFF. Everything in LCFF is not in the LCAP. The LCAP is not a budget document, dollar amounts cannot be meaningfully added together. It is a plan for meeting State and local priorities. The LCAP was developed with input from community and stakeholder groups including parents, teachers, support staff, administrators and bargaining unit groups and is available for viewing on our website.

Projected Student Average Daily Attendance (ADA)
The most important component in calculating revenue is Average Daily Attendance (ADA). ADA drives the revenue formulas. One ADA = 180 days of attendance for one student. Each day that a student is present earns the District approximately $47 in State revenue. Any absence, even an excused absence, reduces the District's revenue by the same amount per student.

Year	P2 ADA	Percent Growth %
2000-01 (actual)	13,335	2.53%
2001-02 (actual)	13,344	.07%
2002-03 (actual)	13,509	1.22%
2003-04 (actual)	13,616	.79%
2004-05 (actual)	13,425	(1.40%)
2005-06 (actual)	12,891	(3.98%)
2006-07 (actual)	12,917	.20%
2007-08 (actual)	12,705	(1.70%)
2008-09 (actual)	12,637	(0.54%)
2009-10 (actual)	12,375	(2.07%)
2010-11 (actual)	12,326	(0.39%)
2011-12 (actual)	12,349	.19%
2012-13 (actual)	12,227	(0.99%)
2013-14 (actual)	12,086	(1.16%)
2014-15 (actual)	12,091	.04%
2015-16 (actual)	12,043	(0.40%)
2016-17 (actual)	12,685	5.33%
2017-18 (est.)	13,222	4.23%

Note: The above figures reflect total District P2 ADA, with the exception of Adult Ed and ROP. The 2017-18 estimate is based on the adopted budget.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Parcel Tax

Livermore Community approved the Measure G parcel tax in June 2014. This is a seven year extension to the Measure M parcel tax of $138 which expired in June 2015. The income from this tax retains programs that were previously cut to maintain the fiscal health of the District. Beginning 2015-16 and continuing through 2021-22, the Measure G parcel tax is providing:

- Provide advanced courses in math, science and engineering
- Keep school well-maintained
- Attract and retain highly qualified teachers
- Provide elementary school science and technology specialists
- Keep classroom technology and instructional materials up-to-date
- To the extent funds are available, maintain academic programs, including the purchase of instructional equipment, materials and supplies.

Charter School

Tri-Valley Learning Corporation, which was over Livermore Valley Charter School and Livermore Valley Charter Preparatory High School, filed for Chapter 7 at the end of the school year. The Livermore Valley Joint Unified School Board of Education revoked both charters in June 2017.

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

<u>Proposition 98</u>

Overview

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

Proposition 98 Establishes Minimum Spending Level

Proposition 98 establishes a minimum spending requirement 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 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year. 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 is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Proposition 98 (continued)

Overview (continued)

2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly
The 2015-16 minimum guarantee has decreased $379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased $53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased $558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by $484 million, but total spending, including a settle-up payment of $514 million, is up slightly ($29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

2017-18 Spending Up $3.1 Billion Over Revised 2016-17 Level
In 2017-18, total spending across all segments is $74.5 billion, an increase of $3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been $542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of $536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of $900 million.

About One-Third of Increase Covered With Higher Property Tax Revenue
Of the total Proposition 98 spending provided in 2017-18, $52.6 billion is state General Fund and $21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases $2.1 billion (accounting for about two-thirds of the $3.1 billion increase in spending) and property tax revenue increases by $1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of $31 million. This consists of a $131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a $100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

Spending Package Reduces Outstanding Settle-Up Obligation by $603 Million
The budget plan includes a $603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above $1 billion to $440 million. Of the $603 million provided, the budget plan allocates $514 million for covering 2016-17 LCFF costs, $86 million for the community college guided pathways initiative, and $3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Proposition 98 (continued)

K-12 Education

$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18
The budgeted 2017-18 level is $2.7 billion (4.3 percent) more than revised 2016-17 level and $2.2 billion (3.6 percent) more than the *2016-17 Budget Act* level. The budget increases funding per student by $450 (4.3 percent) over the *2016-17 Budget Act* level, bringing Proposition 98 funding per student up to $10,863.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $2.4 billion in augmentations for K-12 education. Of these augmentations, $1.5 billion are ongoing increases and $933 million are one-time initiatives. In addition to these changes, the budget package includes $328 million in one-time initiatives funded from other sources. (Of this amount, $325 million is from Proposition 98 reversion dollars and $3 million is from a settle-up payment. Of the reversion dollars, $114 million is for a fund swap primarily relating to special education.) The budget also authorizes $593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

General Purpose Funding

Accelerates Implementation of LCFF for School Districts and Charter Schools
The budget provides an additional $1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to $57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time augmentation for K-12 education is $877 million that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on average daily attendance ($147 per ADA). If an LEA has unpaid mandate claims, funding counts toward those claims. As most LEAs do not have any such claims, we estimate only about one-third ($268 million) of the funding will end up reducing the K-12 mandates backlog. We estimate the K-12 mandates backlog will be $799 million at the end of 2017-18.

Other Changes

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely
The budget provides $423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first $75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses. Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next $100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Proposition 98 (continued)

Other Changes (continued)

Augments After School Education and Safety (ASES) Program
Proposition 49, passed by the voters in 2002, requires the state to provide $550 million in Proposition 98 funds annually for the ASES program. Since Proposition 49 was enacted, ASES providers have received $7.50 per child per day. The budget increases ASES funding by $50 million (9%)—bringing total funding to $600 million. The augmentation will increase the per-child per-day rate.

School Facilities

Provides First Installment of Proposition 51 Bond Funding for School Facilities
Passed by the voters in November 2016, Proposition 51 authorizes the state to sell $9 billion in general obligation bonds—$7 billion for schools and $2 billion for community colleges. The state plans to issue $593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of $368 million in already approved facility projects, as well as $225 million in additional projects.

Establishes New Audit Rules
Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Livermore Valley Joint Unified School District budget for the 2017-18 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the community, investors, creditors, etc. with a general overview of the District's financial condition and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact Susan Kinder, Assistant Superintendent, Business Services, Livermore Valley Joint Unified School District, 685 E. Jack London Blvd., Livermore, CA

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash	$ 126,385,221
Accounts receivable	10,573,961
Inventories	237,675
Net OPEB asset	721,782
Nondepreciable assets	10,101,367
Depreciable capital assets	196,278,855
Less accumulated depreciation	(69,244,620)
Total assets	275,054,241
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	27,319,856
Deferred amounts on refunding	1,085,711
Total deferred outflows of resources	28,405,567
LIABILITIES	
Accounts payable	14,179,677
Unearned revenue	5,571,379
Long-term liabilities:	
Portion due or payable within one year	13,357,858
Portion due or payable after one year	147,691,687
Net pension liability	123,291,880
Total liabilities	304,092,481
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	9,223,405
NET POSITION	
Net investment in capital assets	61,905,414
Restricted for:	
Capital projects	4,727,109
Debt service	17,617,112
Categorical programs	2,871,178
Unrestricted	(96,976,891)
Total net position	$ (9,856,078)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 86,950,224	$ 74,685	$ 12,673,285	$ (74,202,254)
Instruction-related services:				
Supervision of instruction	4,879,470	10,034	1,287,646	(3,581,790)
Instructional library, media and technology	4,451,545	56,195	879,727	(3,515,623)
School site administration	9,335,500	364	690,686	(8,644,450)
Pupil support services:				
Home-to-school transportation	1,721,727	7,554	418,243	(1,295,930)
Food services	3,534,243	1,565,544	1,783,482	(185,217)
All other pupil services	9,341,541	24,910	2,123,336	(7,193,295)
General administration services:				
Data processing services	417,451	-	-	(417,451)
Other general administration	8,082,208	33,296	266,027	(7,782,885)
Plant services	17,996,875	618	683,209	(17,313,048)
Ancillary services	1,217,972	350	270,818	(946,804)
Community services	194,968	-	53,208	(141,760)
Interest on long-term debt	4,360,940	-	-	(4,360,940)
Other outgo	2,284,486	29,933	2,831,627	577,074
Depreciation (unallocated)	4,433,676	-	-	(4,433,676)
Total Governmental Activities	$ 159,202,826	$ 1,803,483	$ 23,961,294	(133,438,049)

General Revenues:	
Property taxes	73,249,486
Federal and state aid not restricted to specific purpose	55,957,187
Interest and investment earnings	497,234
Interagency revenues	691,285
Miscellaneous	4,128,813
Total general revenues	134,524,005
Gain on sale of property	8,621,279
Change in net position	9,707,235
Net position - July 1, 2016	(19,563,313)
Net position - June 30, 2017	$ (9,856,078)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 16,311,946	$ 86,996,412	$ 17,591,323	$ 5,310,720	$ 126,210,401
Accounts receivable	9,749,647	273,474	25,789	524,771	10,573,681
Due from other funds	4,110	13,162	-	-	17,272
Inventories	167,428	-	-	70,247	237,675
Total Assets	$ 26,233,131	$ 87,283,048	$ 17,617,112	$ 5,905,738	$ 137,039,029
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 8,625,154	$ 2,328,756	$ -	$ 765,097	$ 11,719,007
Due to other funds	-	-	-	17,272	17,272
Unearned revenue	5,476,645	-	-	94,734	5,571,379
Total Liabilities	14,101,799	2,328,756	-	877,103	17,307,658
Fund Balances					
Nonspendable	217,428	-	-	70,247	287,675
Restricted	2,571,135	84,954,292	17,617,112	4,956,905	110,099,444
Assigned	1,600,009	-	-	1,483	1,601,492
Unassigned	7,742,760	-	-	-	7,742,760
Total Fund Balances	12,131,332	84,954,292	17,617,112	5,028,635	119,731,371
Total Liabilities and Fund Balances	$ 26,233,131	$ 87,283,048	$ 17,617,112	$ 5,905,738	$ 137,039,029

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds		$ 119,731,371
Capital assets used in *governmental activities* are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $206,380,222, and the accumulated depreciation is $69,244,620.		137,135,602
In government 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:		(2,389,112)
In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:		721,782
In governmental funds, deferred amounts on debt refundings are recognized as a deferred outflow of resources and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		1,085,711
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.		(123,291,880)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows relating to pensions are reported. Deferred inflows and outflows relating to pensions for the period were:		
Deferred outflows of resources	27,319,856	
Deferred inflows of resources	(9,223,405)	18,096,451
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds payable	148,505,000	
Unamortized premium	11,473,727	
Capital leases payable	205,753	
Compensated absences payable	865,065	(161,049,545)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		103,542
Total net position - governmental activities		$ (9,856,078)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 104,301,401	$ -	$ -	$ -	$ 104,301,401
Federal sources	4,414,494	-	-	1,752,808	6,167,302
Other state sources	13,613,619	-	114,875	1,290,184	15,018,678
Other local sources	13,579,031	505,278	15,746,723	3,555,727	33,386,759
Total Revenues	135,908,545	505,278	15,861,598	6,598,719	158,874,140
EXPENDITURES					
Current:					
Instruction	84,839,059	-	-	197,479	85,036,538
Instruction-related services:					
Supervision of instruction	4,789,856	-	-	-	4,789,856
Instructional library, media and technology	4,327,299	-	-	-	4,327,299
School site administration	8,632,290	-	-	314,906	8,947,196
Pupil support services:					
Home-to-school transportation	1,720,239	-	-	-	1,720,239
Food services	-	-	-	3,456,542	3,456,542
All other pupil services	9,148,722	-	-	-	9,148,722
Ancillary services	1,199,266	-	-	-	1,199,266
Community services	188,577	-	-	-	188,577
General administration services:					
Data processing services	417,451	-	-	-	417,451
Other general administration	6,498,547	-	-	-	6,498,547
Plant services	13,296,311	33,964	-	-	13,330,275
Transfers of indirect costs	(102,559)	-	-	102,559	-
Capital outlay	-	5,252,114	-	2,999,767	8,251,881
Intergovernmental transfers	1,586,659	-	-	697,827	2,284,486
Debt Service:					
Principal	-	97,638	4,340,000	-	4,437,638
Interest	-	10,477	3,893,546	-	3,904,023
Issuance costs	-	465,000	-	-	465,000
Total Expenditures	136,541,717	5,859,193	8,233,546	7,769,080	158,403,536
Excess (Deficiency) of Revenues Over (Under) Expenditures	(633,172)	(5,353,915)	7,628,052	(1,170,361)	470,604
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	2,014,040	-	-	-	2,014,040
Interfund transfers out	(1,806)	(2,001,189)	-	(11,045)	(2,014,040)
Proceeds from general obligation bonds	-	82,000,000	-	-	82,000,000
Proceeds from sale of real property	-	10,050,000	-	-	10,050,000
Premiums on long-term debt	-	465,000	3,805,109	-	4,270,109
Total Other Financing Sources and Uses	2,012,234	90,513,811	3,805,109	(11,045)	96,320,109
Net Change in Fund Balances	1,379,062	85,159,896	11,433,161	(1,181,406)	96,790,713
Fund Balances, July 1, 2016	10,752,270	(205,604)	6,183,951	6,210,041	22,940,658
Fund Balances, June 30, 2017	$ 12,131,332	$ 84,954,292	$ 17,617,112	$ 5,028,635	$ 119,731,371

LIVERMORE VALLEY JOINT UNIFIED 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, 2017

Total net change in fund balances - governmental funds		$ 96,790,713
Amounts reported for governmental *activities* in the statement of activities are different because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are 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	4,027,373	
Depreciation expense	(4,433,676)	
Net:		(406,303)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting loss is:		(1,435,800)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		4,437,638
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 accrual-basis pension costs and actual employer contributions was:		(2,716,235)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt:		(86,270,109)
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, is:		(1,073,020)
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 as interest over the life of the debt. Amortization of premium for the period is:		721,728
In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The decrease in the net OPEB asset at the end of the period was:		(276,615)
In the statement of activities, certain operating expenses such as 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 used exceeded the amounts earned by:		130,031
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Amortization of the deferred amounts in the current year was:		(105,624)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net decrease in internal service funds was:		(89,169)
Change in net position of governmental activities		$ 9,707,235

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2017

	Governmental Activities
	Internal Service Fund
ASSETS	
Cash	$ 174,820
Accounts receivable	280
Total Assets	175,100
LIABILITIES	
Estimated liability for open claims	71,558
Total liabilities	71,558
NET POSITION	
Restricted	$ 103,542

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 600,000
OPERATING EXPENSES	
Services and other operating expenditures	689,931
Total operating expenses	689,931
Operating Income (Loss)	(89,931)
NON-OPERATING REVENUES	
Interest income	762
Change in net position	(89,169)
Net position, July 1, 2016	192,711
Net position, June 30, 2017	$ 103,542

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from self-insurance premiums	$ 600,000
Cash paid for operating expenses	(694,724)
Net cash provided (used) by operating activities	(94,724)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	692
Net increase (decrease) in cash	(94,032)
Cash, July 1, 2016	268,852
Cash, June 30, 2017	$ 174,820
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ (89,931)
Changes in Operating Assets and Liabilities	
Decrease in accounts payable and estimated liability for open claims	(4,793)
Net Cash Provided (Used) by Operating Activities	$ (94,724)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2017

	Agency Funds	Trust Fund	
	Student Body Funds	Scholarship Fund	Total
ASSETS			
Cash	$ 1,078,830	$ 100,509	$ 1,179,339
Accounts receivable	-	157	157
Total Assets	1,078,830	100,666	1,179,496
LIABILITIES			
Due to student groups	$ 1,078,830	-	$ 1,078,830
Total Liabilities	$ 1,078,830	-	1,078,830
NET POSITION			
Restricted for student scholarships		$ 100,666	$ 100,666

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2017

	Trust Fund Scholarship Fund
ADDITIONS	
Other local sources	$ 12,492
Total Additions	12,492
DEDUCTIONS	
Books and supplies	40
Other services & operating expenses	6,000
Total Deductions	6,040
Change in net position	6,452
Net position - July 1, 2016	94,214
Net position - June 30, 2017	$ 100,666

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Livermore Valley Joint Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to 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 Livermore Valley Joint Unified 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements (continued)
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 Deferred Maintenance Fund, a Special Reserve Fund for Other Than Capital Outlay Projects, and a Special Reserve Fund for Postemployment Benefits. The Deferred Maintenance Fund does not currently meet the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. In addition, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is 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.

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.

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

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund: This fund is used to account for revenues received and expenditures made to the child development program subcontracted by the District.

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

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.

County Schools Facilities Fund: This fund is used to account for state apportionments provided under the SB50 School Facilities Program for construction and modernization of school facilities.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

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

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. The District operates six Associated Student Body funds.

Scholarship Fund*:* This fund is used to account for the Leo R. Croce Elementary School scholarship established in 1991 and the Hindu scholarship.

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
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. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The District has one item that qualify(ies) for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For 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. The District established capitalization thresholds for land at $1; and land improvements, buildings, and building improvements at $100,000 per project; equipment purchased with federal funds at $5,000 and $11,000 if purchased with state or local funds.

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 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. The District has items that qualify for reporting in this category. The first item is to recognize the District's proportionate share of the deferred outflows of resources related to its pension plans, as more fully described in the footnote entitled "Pension Plans". The second is deferred amounts on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The District has items that qualify for reporting in this category. These items recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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. 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.

8. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances (continued)

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.

9. 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.

- **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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 governing board 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. Self-Insurance Internal Service Fund
The District is self-insured for property damage and for general liability up to $50,000 per claim. The General Fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The District also participates in a joint powers authority, which provides excess worker's compensation coverage for the District. On the government-wide financial statements, the Internal Service Fund activity is eliminated to avoid doubling of revenues and expenditures

J. New GASB Pronouncements
During the 2016-17 fiscal year, the following GASB Pronouncements became effective:

1. **Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)***
The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements (continued)

2. **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)***
   This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

   - Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
   - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
   - OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

3. **Statement No. 77, *Tax Abatement Disclosures (Issued 08/15)***
   For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

4. **Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)***
   This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

5. **Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)***
   This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements (continued)

6. **Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)***
The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 2 – CASH

Cash at June 30, 2017, is reported at fair value and consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:				
Cash in County Treasury	$ 126,155,946	$ 149,820	$ 126,305,766	$ 100,509
Deposits:				
Cash on hand and in banks	4,455	25,000	29,455	1,078,830
Cash in revolving fund	50,000	-	50,000	-
Total deposits	54,455	25,000	79,455	1,078,830
Total cash	$ 126,210,401	$ 174,820	$ 126,385,221	$ 1,179,339

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, 2017, 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. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other 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, 2017, $959,686 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Fiduciary Funds
Federal Government:							
Categorical aid programs	$ 5,166,653	$ -	$ -	$ 225,718	$ 5,392,371	$ -	$ -
State Government:							
LCFF	341,071	-	-	-	341,071	-	-
Lottery	1,151,898	-	-	-	1,151,898	-	-
Categorical aid programs	2,298,674	-	-	131,073	2,429,747	-	-
Local:							
Interest	38,658	176,297	25,789	7,502	248,246	280	157
Other local	752,693	97,177	-	160,478	1,010,348	-	-
Totals	$ 9,749,647	$ 273,474	$ 25,789	$ 524,771	$ 10,573,681	$ 280	$ 157

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2017, consisted of the following:

Adult Education Fund transfer to General Fund for retiree benefits	$ 695
Cafeteria Fund transfer to General Fund for retiree benefits	10,006
Deferred Maintenance Fund transfer to General Fund for retiree benefits	1,806
Building Fund transfer to General Fund for retiree benefits	1,189
Building Fund transfer to Deferred Maintenance Fund for sale of property proceeds	2,000,000
Capital Facilities Fund transfer to General Fund for retiree benefits	344
Total	$ 2,014,040

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Balances Due To/From Other Funds
Balances due to/from other funds at June 30, 2017, consisted of the following:

Child Development Fund due to General Fund for indirect costs	$	4,110
Capital Facilities Fund due to Building Fund for expenditure reimbursements		13,162
Total	$	17,272

NOTE 5 – FUND BALANCES

At June 30, 2017, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 50,000	$ -	$ -	$ -	$ 50,000
Stores inventories	167,428	-	-	70,247	237,675
Total Nonspendable	217,428	-	-	70,247	287,675
Restricted:					
Categorical programs	2,571,135	-	-	201,458	2,772,593
Food service	-	-	-	28,338	28,338
Capital projects	-	84,954,292	-	4,727,109	89,681,401
Debt service	-	-	17,617,112	-	17,617,112
Total Restricted	2,571,135	84,954,292	17,617,112	4,956,905	110,099,444
Assigned:					
Adult education program	-	-	-	1,055	1,055
Child development program	-	-	-	428	428
Deferred maintenance program	401,534	-	-	-	401,534
Postemployment benefits	167,076	-	-	-	167,076
Other assignments	1,031,399	-	-	-	1,031,399
Total Assigned	1,600,009	-	-	1,483	1,601,492
Unassigned:					
Reserve for economic uncertainties	4,027,656	-	-	-	4,027,656
Remaining unassigned balances	3,715,104	-	-	-	3,715,104
Total Unassigned	7,742,760	-	-	-	7,742,760
Total	$ 12,131,332	$ 84,954,292	$ 17,617,112	$ 5,028,635	$ 119,731,371

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	$ 7,758,228	$ -	$ 61,405	$ 7,696,823
Construction in progress	2,017,194	2,404,544	2,017,194	2,404,544
Total capital assets not being depreciated	9,775,422	2,404,544	2,078,599	10,101,367
Capital assets being depreciated:				
Improvement of sites	18,373,932	1,473,319	-	19,847,251
Buildings	174,139,074	2,017,194	2,548,867	173,607,401
Equipment	2,692,966	149,510	18,273	2,824,203
Total capital assets being depreciated	195,205,972	3,640,023	2,567,140	196,278,855
Accumulated depreciation for:				
Improvement of sites	(9,341,240)	(707,037)	-	(10,048,277)
Buildings	(54,404,123)	(3,646,337)	(1,181,551)	(56,868,909)
Equipment	(2,258,326)	(80,302)	(11,194)	(2,327,434)
Total accumulated depreciation	(66,003,689)	(4,433,676)	(1,192,745)	(69,244,620)
Total capital assets being depreciated, net	129,202,283	(793,653)	1,374,395	127,034,235
Governmental activity capital assets, net	$ 138,977,705	$ 1,610,891	$ 3,452,994	$ 137,135,602

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 70,845,000	$ 82,000,000	$ 4,340,000	$ 148,505,000	$ 12,535,000
Unamortized issuance premium	7,925,346	4,270,109	721,728	11,473,727	721,728
Subtotal General Obligation Bonds	78,770,346	86,270,109	5,061,728	159,978,727	13,256,728
Capital Leases	303,391	-	97,638	205,753	101,130
Compensated Absences	995,096	-	130,031	865,065	-
Totals	$ 80,068,833	$ 86,270,109	$ 5,289,397	$ 161,049,545	$ 13,357,858

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Capital leases are paid for by the General and Building Funds. Accumulated vacation will be paid for by the fund for which the employee worked.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

1999 Election
On March 2, 1999, a special election was held at which more than two-thirds of the voters in the District approved Measure "L", which authorized the issuance and sale of $150 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds.

The bonds were issued for the purpose of financing the improvement of health and safety conditions of the District's facilities, including the renovation of roofing, heating, plumbing and air-conditioning systems, the acquisition and construction of a new library and community center, and the acquisition, renovation, and construction of other necessary facilities. The District has entered into joint-use agreements with the City of Livermore and Livermore Area Park and Recreation District for the operation of the library and community center, respectively.

2016 Election
On June 7, 2016, the voters of the Livermore Valley Joint Unified School District approved by more than 55% Measure "J", authorizing the issuance and sale of $245.0 million of general obligation bonds. On October 13, 2016, the District issued Series 2016 of the Election of 2016 General Obligation bonds in the amount of $82.0 million. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds.

2010 General Obligation Refunding Bonds
On May 4, 2010, the District issued $33,840,000 of 2010 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 2.0 to 5.0 percent with annual maturities from August 2011 through August 2026. The net proceeds of $34,470,935 (after underwriter's discount of $301,176, issuance costs of $122,608, plus premium of $1,054,719) were used to advance refund $17,750,000 of the District's outstanding Election of 1999, Series 2000 General Obligation Bonds and $15,215,000 of the Election of 1999, Series 2001 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds. Deferred amounts on refunding of $957,964 remain to be amortized.

2014 Refunding General Obligation Bonds
On November 18, 2014, the District issued $52,810,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0%-5.0% with annual maturities from August 1, 2015 through August 1, 2029. The net proceeds of $60,759,546 (after premiums of $8,277,577 and issuance costs of $328,031) were used to prepay the District's outstanding General Obligation Bonds.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2014 Refunding General Obligation Bonds (continued)
The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of $127,747 remain to be amortized.

The outstanding general obligation bonds issued by the District as of June 30, 2017, are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
Refunding	5/4/2010	8/1/2026	2.0%-5.0%	33,840,000	$ 21,700,000	$ -	$ 1,715,000	19,985,000
Refunding	11/18/2014	8/1/2029	2.0%-5.0%	52,810,000	49,145,000	-	2,625,000	46,520,000
2016 A	10/13/2016	8/1/2046	2.0%-4.0%	82,000,000	-	82,000,000	-	82,000,000
					$ 70,845,000	$ 82,000,000	$ 4,340,000	$ 148,505,000

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	12,535,000	5,569,900	$ 18,104,900
2018-2019	12,255,000	5,188,769	17,443,769
2019-2020	4,965,000	4,865,856	9,830,856
2020-2021	5,225,000	4,644,931	9,869,931
2021-2022	5,515,000	4,391,881	9,906,881
2022-2027	29,615,000	17,775,353	47,390,353
2027-2032	19,665,000	11,802,563	31,467,563
2032-2037	12,580,000	9,212,175	21,792,175
2037-2042	19,075,000	6,087,750	25,162,750
2042-2047	27,075,000	2,130,375	29,205,375
Totals	$ 148,505,000	$ 71,669,553	$ 220,174,553

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Capital Leases

The District leases equipment valued at $432,458 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year		Lease Payment
2017-18		$ 108,115
2018-19		108,115
	Less amount representing interest	(10,477)
	Present value of minimum lease payments	$ 205,753

The District will receive no sublease rental revenues to pay any contingent rentals for the equipment.

NOTE 8 – JOINT VENTURES

Livermore Valley Joint Unified School District participates in a joint venture under a joint powers agreement (JPA) with the Alameda County Schools Insurance Group (ACSIG). The District also participated in Northern California ReLiEF for excess property and liability insurance. The District also participated in the Protected Insurance Program for Schools Authority (PIPS) to pool risk associated with workers' compensation. The relationship between Livermore Valley Joint Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information as of June 30, 2016, is as follows:

	Northern California ReLiEF	ACSIG	PIPS
Assets	$ 68,292,756	$ 38,370,101	$ 117,633,714
Deferred Outflows	-	44,203	-
Liabilities	52,527,059	30,621,577	104,282,740
Deferred Inflows	-	63,483	-
Net Position	$ 15,765,697	$ 7,729,244	$ 13,350,974
Revenues	$ 51,389,058	$ 151,870,899	$ 263,965,339
Expenses	43,938,040	145,393,809	262,540,194
Operating Income (Loss)	7,451,018	6,477,090	1,425,145
Non-Operating Income	1,115,295	380,236	1,487,697
Change in Net Position	$ 8,566,313	$ 6,857,326	$ 2,912,842

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. 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, 2017.

C. Construction Commitments

As of June 30, 2017, the District has commitments with respect to unfinished capital projects of approximately $8.5 million to be paid from local funds.

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, 2017, the District participated in the Northern California ReLiEF 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 fiscal year 2016-17, the District participated in the ACSIG JPA for workers compensation.

Employee Medical Benefits

The District has contracted with California Valued Trust to provide employee health and welfare benefits.

Claims Liability

The District records an estimated liability for property claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Claims Liability
Liability Balance, July 1, 2015	$ 99,389
Claims and changes in estimates	706,802
Claims payments	(736,501)
Liability Balance, July 1, 2016	$ 69,690
Claims and changes in estimates	691,799
Claims payments	(689,931)
Liability Balance, June 30, 2017	71,558
Assets available to pay claims at June 30, 2017	$ 175,100

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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a $6,163 lump-sum death payment. There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2% increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0% at age 52 for members under *2% at 62*, increasing to a maximum of 2.5% at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)
Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2% per year.

Contributions
Active CalSTRS plan members under *2% at 60* were required to contribute 10.25% and plan members under *2% at 62* were required to contribute 9.205% of their salary in 2016-17. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS		CalPERS	
Employer contributions	$	7,661,578	$	2,921,326
Employee contributions paid by employer	$	-	$	-
Employer contributions paid by State	$	4,589,688	$	-

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability	
CalSTRS	$	91,395,530
CalPERS	$	31,896,350
Total Net Pension Liability	$	123,291,880

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2015	0.1170%	0.1642%
Proportion - June 30, 2016	0.1130%	0.1615%
Change - Increase (Decrease)	-0.0040%	-0.0027%

For the year ended June 30, 2017, the District recognized pension expense of $13,299,138. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,582,904	$ -
Differences between actual and expected experience	1,371,849	(2,229,490)
Changes in assumptions	-	(958,295)
Adjustment due to differences in proportions	-	(2,885,705)
Net differences between projected and actual earnings on plan investments	15,365,103	(3,149,915)
	$ 27,319,856	$ (9,223,405)

The total amount of $10,582,904 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2018	$ 1,452,960
2019	1,612,398
2020	3,338,538
2021	758,802
2022	(740,996)
Thereafter	-

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – for CalSTRS
The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS
The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)
In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated 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 rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

	Target Allocation		Long-Term Expected Rate of Return	
Asset Class	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	6.30%	5.71%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	100%	100%		

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 131,538,780	$ 47,589,532
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 91,395,530	$ 31,896,350
1% Increase	8.60%	8.65%
Net Pension Liability	$ 58,054,880	$ 18,828,688

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

C. Payable to the Pension Plans
At June 30, 2017, the District reported a payable of $1,309,891 and $570,693 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2017.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Livermore Valley Joint Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information
Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits *	63
Active plan members	1,261
Total	1,324

** As of July 1, 2015 actuarial valuation*

The District provides postemployment benefits for health and dental coverage to certificated employees who retire from the District on or after reaching age 55 with at least ten years of service, and classified employees with fifteen years of service. Eligible retirees will receive coverage for seven years or until reaching age 65, whichever comes first.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2016-17, the District contributed $400,601.

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)
The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	$	659,414
Interest on net OPEB obligation		(39,936)
Adjustment to ARC		57,737
Annual OPEB cost		677,215
Contributions made:		(400,600)
Decrease in net OPEB asset		276,615
Net OPEB obligation (asset) - July 1, 2016		(998,397)
Net OPEB obligation (asset) - June 30, 2017	$	(721,782)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2016-17 and the three preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2015	$ 865,500	74%	$ (979,806)
2016	$ 676,884	103%	$ (998,397)
2017	$ 677,215	59%	$ (717,845)

Funded Status and Funding Progress – OPEB Plans
As of July 1, 2015, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $5.2 million and the unfunded actuarial accrued liability (UAAL) was $5.2 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)
Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year level dollar
Remaining Amortization Period	22 years
Asset Valuation	N/A
Actuarial Assumptions:	
Discount rate	4%
Healthcare cost trend rate:	
Dental / Vision	4%
Medical / Rx	8%

NOTE 13 – SALE OF REAL PROPERTY

During 2016-17, the District sold one piece of real property. On April 11, 2017, the District contracted with William Lyon Homes, Inc. for the sale of the District's real property consisting of APN: 099-0313-013 for $10,050,000. Because this sale closed during 2016-17, the proceeds from the sale of property is reported as an other financing source in the governmental funds in 2016-17; however, the cost of the property sold is removed from the capital assets account in the Statement of Net Position and offset against the sale proceeds resulting in a gain on sale of real property in the Statement of Activities of $8,621,279.

Required Supplementary Information

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LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 99,335,336	$ 104,282,163	$ 104,301,401	$ 19,238
Federal	4,501,559	5,056,155	4,414,494	(641,661)
Other State	8,859,298	14,068,710	13,613,619	(455,091)
Other Local	9,718,572	15,492,929	13,576,855	(1,916,074)
Total Revenues	122,414,765	138,899,957	135,906,369	(2,993,588)
Expenditures				
Current:				
Certificated Salaries	58,752,318	61,164,744	60,817,726	347,018
Classified Salaries	20,036,869	20,878,673	20,847,420	31,253
Employee Benefits	28,793,294	30,156,088	30,692,646	(536,558)
Books and Supplies	2,989,499	9,860,288	6,194,021	3,666,267
Services and Other Operating Expenditures	12,840,626	18,876,757	15,270,311	3,606,446
Transfers of Indirect Costs	(153,545)	(90,285)	(102,559)	12,274
Capital Outlay	38,776	289,002	72,242	216,760
Intergovernmental	1,100,550	2,142,109	1,586,659	555,450
Total Expenditures	124,398,387	143,277,376	135,378,466	7,898,910
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,983,622)	(4,377,419)	527,903	4,905,322
Other Financing Sources and Uses				
Interfund Transfers In	12,457	12,457	14,040	1,583
Total Other Financing Sources and Uses	12,457	12,457	14,040	1,583
Net Change in Fund Balance	(1,971,165)	(4,364,962)	541,943	4,906,905
Fund Balances, July 1, 2016	11,019,234	11,019,234	11,019,234	-
Fund Balances, June 30, 2017	$ 9,048,069	$ 6,654,272	$ 11,561,177	$ 4,906,905

* 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 Deferred Maintenance Fund, 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.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	$ -	$ 7,167,943	$ 7,167,943	0.0%	$ 64,901,166	11.0%
July 1, 2013	$ -	$ 6,633,919	$ 6,633,919	0.0%	$ 68,868,708	9.6%
July 1, 2015	$ -	$ 5,201,248	$ 5,201,248	0.0%	$ 71,751,260	7.2%

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.1130%	0.1170%	0.1150%
District's proportionate share of the net pension liability	$ 91,395,530	$ 78,769,080	$ 67,202,550
State's proportionate share of the net pension liability associated with the District	52,037,505	41,660,048	40,580,209
Totals	$ 143,433,035	$ 120,429,128	$ 107,782,759
District's covered-employee payroll	$ 56,859,487	$ 53,538,423	$ 51,482,036
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.74%	147.13%	130.54%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1615%	0.1642%	0.1682%
District's proportionate share of the net pension liability	$ 31,896,350	$ 24,203,242	$ 19,094,795
District's covered-employee payroll	$ 20,420,486	$ 18,212,837	$ 17,386,672
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.20%	132.89%	109.82%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

* *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.*

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 7,661,578	$ 6,101,023	$ 4,754,212
Contributions in relation to the contractually required contribution	7,661,578	6,101,023	4,754,212
Contribution deficiency (excess):	$ -	$ -	$ -
District's covered-employee payroll	$ 60,902,846	$ 56,859,487	$ 53,538,423
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 2,921,326	$ 2,419,215	$ 2,143,833
Contributions in relation to the contractually required contribution	2,921,326	2,419,215	2,143,833
Contribution deficiency (excess):	$ -	$ -	$ -
District's covered-employee payroll	$ 21,034,893	$ 20,420,486	$ 18,212,837
Contributions as a percentage of covered-employee payroll	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.*

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 Funding Progress
This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes
There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions
There were no changes of assumptions.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Category	Excess Expenditures
Employee Benefits	$ 536,558

Supplementary Information

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Livermore Valley Joint Unified School District was formed on July 1, 1966 and is comprised of an area of approximately 240 square miles located in Alameda and Contra Costa Counties. There were no changes in the boundaries of the District during the current year. The District operates nine elementary, three middle, two K-8 and three high schools, one of which is a continuation high school. The District also maintains an Adult Education Program and an Independent Study School.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

BOARD OF EDUCATION

Member	Office	Term Expires
Craig Bueno	President	November, 2018
Chuck Rogge	Clerk	November, 2020
Kate Runyon	Member	November, 2018
Chris Wenzel	Member	November, 2020
Anne White	Member	November, 2018

DISTRICT ADMINISTRATORS

Kelly Bowers,
Superintendent

Chris Van Schaack,
Assistant Superintendent, Administrative Services [1]

Cindy Alba, [2]
Assistant Superintendent, Educational Services

Susan Kinder,
Chief Business Official [1]

[1] As of July 1, 2017, Chris Van Schaack became Deputy Superintendent, Administrative Services. Susan Kinder became Assistant Superintendent, Business Services.
[2] Cindy Alba retired effective June 30, 2017, and Mike Biondi replaced her.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2017

	Second Period Report Certificate No. (48CA555B)	**Annual Report** Certificate No. (051AAF10)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	3,814.04	3,838.79
Fourth through Sixth	2,890.28	2,903.97
Seventh through Eighth	1,917.75	1,924.69
Ninth through Twelfth	4,038.62	4,032.31
Total Regular ADA	12,660.69	12,699.76
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	2.12	2.28
Fourth through Sixth	4.78	5.17
Seventh through Eighth	5.18	5.19
Ninth through Twelfth	12.09	12.78
Total Special Education, Nonpublic, Nonsectarian Schools	24.17	25.42
Total ADA	12,684.86	12,725.18

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2017

Grade Level	Required	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	40,260	180	Complied
Grade 1	50,400	52,760	180	Complied
Grade 2	50,400	52,760	180	Complied
Grade 3	50,400	52,760	180	Complied
Grade 4	54,000	54,000	180	Complied
Grade 5	54,000	54,000	180	Complied
Grade 6	54,000	55,860	180	Complied
Grade 7	54,000	55,860	180	Complied
Grade 8	54,000	55,860	180	Complied
Grade 9	64,800	65,315	180	Complied
Grade 10	64,800	65,315	180	Complied
Grade 11	64,800	65,315	180	Complied
Grade 12	64,800	65,315	180	Complied

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2017

General Fund	(Budget) 2018 [3]	2017 [4]	2016	2015
Revenues and other financing sources	$ 134,267,178	$ 135,920,409	$ 130,892,800	$ 114,801,890
Expenditures (total outgo)	136,565,783	135,378,466	125,653,142	114,135,661
Change in fund balance (deficit)	(2,298,605)	541,943	5,239,658	666,229
Ending fund balance	$ 9,262,572	$ 11,561,177	$ 11,019,234	$ 5,779,576
Available reserves [1]	$ 5,461,584	$ 7,742,760	$ 4,543,281	$ 3,610,578
Available reserves as a percentage of total outgo	4.0%	5.7%	3.6%	3.2%
Total long-term debt	$ 270,983,567	$ 284,341,425	$ 183,041,155	$ 172,218,977
Average daily attendance at P-2 [2]	13,200	12,685	12,043	12,091

The General Fund balance has increased by $5.8 million over the past two years. The fiscal year 2017-18 adopted budget projects an decrease of $2.3 million. 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 not incurred an operating deficit in any of the past three years, but does anticipate incurring an operating deficit during the 2017-18 fiscal year. Long-term debt has increased by $112.1 million over the past two years.

Average daily attendance has increased by 594 over the past two years. ADA is expected to increase by 515 during fiscal year 2017-18.

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

[2] Excludes Adult Education ADA.

[3] Revised Budget September 2017.

[4] 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 Deferred Maintenance Fund, 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.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2017

	General Fund	Cafeteria Fund	Building Fund
June 30, 2017, annual financial and budget report fund balance	$ 11,561,177	$ 98,585	$ 84,954,292
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
State revenues	1,123,266	-	-
STRS on-behalf expenditures	(1,123,266)	-	-
Debt service principal	-	-	(10,473)
Debt service interest	-	-	10,473
Debt issuance costs	-	-	(465,000)
Premiums on long-term debt	-	-	465,000
Food costs	-	(210,536)	-
Federal revenues (commodities)	-	210,536	-
June 30, 2017, reported financial statement fund balances	$ 11,561,177	$ 98,585	$ 84,954,292

See accompanying note to supplementary information.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

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 Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program - Especially Needy	10.553	13526	$ 125,419	
National School Lunch Program	10.555	13523	1,281,823	
USDA Donated Foods	10.555	N/A	210,536	
Summer Food Service Program Operations	10.559	13004	13,885	
Subtotal Child Nutrition Cluster				$ 1,631,663
Child and Adult Care Food Program Cluster				
Child and Adult Care Food Program	10.558	13666	49,726	
CACFP in Lieu of Commodities	10.558	13389	3,619	
Subtotal Child and Adult Care Food Program Cluster				53,345
Team Nutrition Training	10.574	15332		13,310
Total U.S. Department of Agriculture				1,698,318
U.S. Department of Education:				
Indian Education	84.060	10011		82,594
Passed through California Dept. of Education (CDE):				
Adult Basic Education Cluster (ABE):				
Adult Basic Education & ESL	84.002A	14508	34,568	
Adult Secondary Education	84.002	13978	3,954	
English Literacy & Civics Education	84.002A	14109	15,968	
Subtotal Adult Basic Education Cluster				54,490
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		740,984
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14838		313,619
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831		3,306
Title II, Part A, Supporting Effective Instruction	84.367	14341		243,163
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency	84.365	14346	162,022	
Title III, Immigrant Education Program	84.365	15146	15,254	
Subtotal English Language Acquisition Grants Cluster				177,276
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14894		64,733
Individuals with Disabilities Education Act (IDEA):				
Passed through the Tri-Valley SELPA				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	2,387,464	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	68,936	
Preschool Local Entitlement, Part B	84.027A	13682	173,588	
Preschool Staff Development	84.173A	13431	962	
Subtotal Special Education Cluster (IDEA)				2,630,950
Total U.S. Department of Education				4,311,115
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	99,542	
Medi-Cal Administrative Activities (MAA)	93.778	10060	31,433	
Subtotal Medicaid Cluster				130,975
Total U.S. Department of Health & Human Services				130,975
Total Expenditures of Federal Awards				$ 6,140,408

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

Charter School	Included in Financial Statements?
Livermore Valley Charter	Not Included
Livermore Valley Charter Preparatory High	Not Included

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, 2017.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 6,167,302
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	(26,894)
Total Schedule of Expenditures of Federal Awards		$ 6,140,408

Schedule of Charter Schools
This schedule lists all charter schools charted by the District, and displays information for each charter school and whether or not the charter is included in the District audit.

Other Independent Auditors' Reports

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

Board of Education
Livermore Valley Joint Unified School District
Livermore, 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 Livermore Valley Joint Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Livermore Valley Joint Unified School District's basic financial statements, and have issued our report thereon dated November 28, 2017.

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

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

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

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Livermore Valley Joint Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001.

Livermore Valley Joint Unified School District's Response to Finding
Livermore Valley Joint Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Livermore Valley Joint Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control 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
November 28, 2017

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Livermore Valley Joint Unified School District
Livermore, California

Report on State Compliance
We have audited Livermore Valley Joint Unified School District's compliance with the types of compliance requirements described in the *2016-17 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 Livermore Valley Joint Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2017.

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 Livermore Valley Joint Unified 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 *2016-17 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 Livermore Valley Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Livermore Valley Joint Unified 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
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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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	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
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 continuation education because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Livermore Valley Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Other Matter(s)

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Livermore Valley Joint Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Livermore Valley Joint Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro+Nigro, PC

Murrieta, California
November 28, 2017

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
Livermore Valley Joint Unified School District
Livermore, California

Report on Compliance for Each Major Federal Program
We have audited Livermore Valley Joint Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Livermore Valley Joint Unified School District's major federal programs for the year ended June 30, 2017. Livermore Valley Joint Unified 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 Livermore Valley Joint Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livermore Valley Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Livermore Valley Joint Unified School District's compliance.

Opinion on Each Major Federal Program
In our opinion, Livermore Valley Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of Livermore Valley Joint Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Livermore Valley Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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
November 28, 2017

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 noted
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 noted
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 200.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster (IDEA)
10.553, 10.555, 10.559	National School Lunch Program (NSLP)

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 2016-17.

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 2016-17.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2017-001: CALPADS Unduplicated Pupil Count (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the English Learner (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted that one student that was reported as having the English learner designation for the 2016-17 fiscal year was not eligible based on the District reclassification policy.

Context: We noted a total of one exception at a single site. This appears to be an isolated incident.

Cause: The student had satisfied all criteria as listed by the District's reclassification policy and should have been reclassified as of this year. This information was never communicated to the appropriate department for the student to be reclassified.

Questioned Cost: $529. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

School Site	CALPADS Reported	Adjusted based on eligibility for: EL	Adjusted Total
Emma C. Smith Elementary	106	(1)	105
Aggregate remaining schools	3,496	-	3,496
District-wide	3,602	(1)	3,601

The enrollment count of 12,924 was not impacted as a result of the procedures performed.

Recommendation: We recommend that the District review the communication between the curriculum and IT departments in order to determine what improvements can be made to the process so that future errors can be avoided.

Views of Responsible Officials: Our English Language (EL) Coordinator is coordinating with the Information Technology department regarding the dates and timelines to report information for CalPADS. The Information Technology department will also meet with EL Coordinator to ensure that the information is updated and complete prior to submission to the State.

There were no findings or questioned costs in 2015-16.

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To the Board of Education
Livermore Valley Joint Unified School District
Livermore, California

In planning and performing our audit of the basic financial statements of Livermore Valley Joint Unified School District for the fiscal year ending June 30, 2017, 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 November 28, 2017, on the financial statements of Livermore Valley Joint Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing if cash disbursements at **Granada High**, we noted a disbursement that did not coincide with the approval used for the disbursement. Additionally, we noted that there are individuals ordering goods through the ASB that are delivered directly to the purchaser rather than to the school site. Allowing items to be shipped directly to the purchaser allows the possibility for fraudulent transactions to occur and go undetected. All goods or services purchased with ASB funds should be received by an individual other than the original purchaser and signed off as "received" or "ok to pay" to ensure the payment is not being made for items received incorrectly or not received at all.

Recommendation: We recommend that the District remind the school site of the importance of ensuring purchase orders are created for the specific purchases. We also recommend that the site prohibit purchasers from ordering goods that are delivered to locations other than the site directly.

Observation: In our testing of cash Disbursements at **Livermore High**, we noted disbursements that were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred.

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.

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

Nigro + Nigro, PC

Murrieta, California
November 28, 2017