

DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

DAVIS JOINT UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017
(Continued)

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DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Davis Joint Unified School District
Davis, 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 Davis 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 Davis Joint Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Davis Joint Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 through 10 and the General Fund Budgetary Comparison Schedule, the Charter Schools Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 52 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of Davis Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis Joint Unified School District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 12, 2017

526 B Street ♦ Davis, CA 95616 ♦ (530) 757-5300 ♦ FAX: (530) 757-5323 ♦ www.djUSD.net

Management's Discussion and Analysis

The Davis Joint Unified School District is located in Yolo County. The District currently operates 16 schools, consisting of 7 elementary schools (grades K-6), 1 elementary school (grades K-3), 3 junior high schools (grades 7-9), 1 comprehensive high school (grades 10-12), 1 Charter School (DaVinci grades 7-12), 1 continuation high school, 1 adult school and 1 independent study program. As of June 30, 2017, the District employed on a regular basis 606 certificated employees and 517 classified employees.

Student enrollment for grades K-12 increased over 2015-2016. For the 2016-2017 school year, the District's October enrollment was 8,582. This was an increase of 20 students from the October enrollment in 2015.

Davis Joint Unified School Mission Statement

The mission of Davis Joint Unified School District, a leading center of educational innovation, is to ignite a love of learning and equip each student with knowledge, skills, character, and well-being to thrive and contribute to an evolving and increasingly-connected world, through a system characterized by:

- Optimal conditions and environments for all students to learn
- A team of talented, resourceful, and caring staff
- Transforming teaching, learning, and operations in our continuing pursuit of excellence
- Resourceful, transparent, and responsible fiscal planning, and
- A diverse and inclusive culture

This Mission Statement is the basis and guiding principles for the District.

FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Financial Reports

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments*. This new standard significantly changed the way school districts report their finances to the public. The focus of financial reporting is now on the overall status of the local educational agency's (LEA) financial health instead of on the individual funds.

Fiscal year 2002-2003 was the first year the District has accounted for the value of capital assets and included these values as part of the financial statements. For the first time we displayed the value of all assets including buildings, land, equipment, and depreciation. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or declining.

Statement of Net Position

The *Statement of Net Position* for the 2016-2017 year shows the District's net position as \$(30,965,049). This amount includes the value of the land, buildings, and equipment (less depreciation) owned by the District as well as all liabilities such as bond repayment obligations. The District decreased in net position mainly due to GASB Statement No. 68, pension accountability.

The Governmental Accounting Standards Board approved GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

| Statement of Net Position | | |
|--------------------------------|------------------------|------------------------|
| | June 30, 2016 | June 30, 2017 |
| Assets | \$ 143,346,199 | \$ 143,795,824 |
| Deferred outflows of resources | \$ 8,588,952 | \$ 18,676,514 |
| Liabilities | \$ 175,602,154 | \$ 188,647,387 |
| Deferred inflows of resources | \$ 7,952,000 | \$ 4,790,000 |
| Ending Net Position | \$ (31,619,003) | \$ (30,965,049) |

Capital Assets

The net Capital Assets as of June 30, 2017 are \$96,264,605. This represents an increase of \$6,941,276 over the prior year. This increase is from new building projects.

Long-Term Debt

The Long-Term Debt as of June 30, 2017 is \$178,229,307. This represents an increase of \$10,932,724 over the prior year. This increase is due increase in pension liability.

Overall, the district has strong credit ratings on this outstanding debt which has been positive for the district in recent refunding opportunities. There has been no rating change from prior year and current year.

The following are the current and prior ratings:

| Long-Term Debt Series | Rating Agency | Current Rating | Prior Rating |
|--|----------------------|-----------------------|---------------------|
| Special Tax Bonds, 2007 Refunding | Moody's | A3 | A3 |
| Certificates of Participation 2005 | Moody's | A2 | A2 |
| General Obligation Bond 2010 Refinancing | S&P | AA | AA |
| CFD No. 2 2012 Series | S&P | AA | AA |

Statement of Activities

The *Statement of Activities* for the 2016-2017 audit show the District's change in net position of \$653,954 for Governmental Activities. The District has an increase in expenditures compared to prior year due to a capital project that was planned over multiple years and additionally we have an increase in pension liability. Revenue for the capital project is being funded through a one-time source that was received in 2015-2016 under the General Revenues. The following table summarizes the statement of activities:

| Statement of Activities | | |
|--------------------------------|----------------------|----------------------|
| | June 30, 2016 | June 30, 2017 |
| Program Revenues | \$15,201,936 | \$15,891,507 |
| General Revenues | 96,065,299 | 92,706,176 |
| Expenses | 100,711,879 | 107,943,729 |
| Change in Net Position | \$ 10,555,356 | \$ 653,954 |

Financial Condition of the General Fund

The ending balance for the Davis Joint Unified School District increased in 2016-2017 due to the expected ELA Adoption purchase not materialized until July 2017. The following tables summarize fund balance changes and operational fund financial statements:

| Summary of Financial Operations | | |
|--|----------------------|----------------------|
| | June 30, 2016 | June 30, 2017 |
| Revenues | \$ 86,949,626 | \$ 89,452,107 |
| Expenditures | \$ 83,435,421 | \$ 87,812,548 |
| Difference | \$3,514,205 | \$1,639,559 |

| Change in Fund Balance | |
|-------------------------------|---------------------|
| Fund Balance June 30, 2016 | \$11,257,419 |
| Fund Balance June 30, 2017 | \$12,896,978 |
| Change | \$ 1,639,559 |

General Fund Revenues

Most of the District's General Fund revenue is generated from the District's LCFF revenue, which yields funds based on a state-determined dollar amount times the average number of students who are in attendance (ADA) throughout the school year. Public education--unlike any other public agency--receives most of its revenue based on the population it serves.

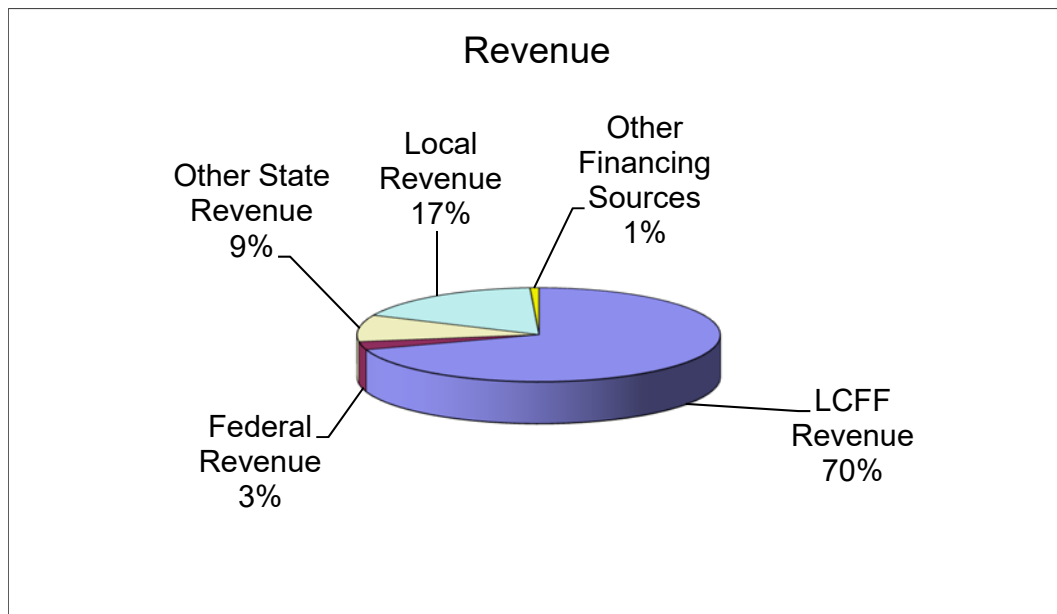
The second largest source of revenue is Local Revenue income that comes from various entities. Our largest component of this revenue stream is Parcel Tax, which is voter approved funding for specific programs and staffing.

The third largest source of revenue is State categorical income that must be spent for selected State-determined programs. The largest categorical program, sometimes classified as "restricted programs," is funded by Special Education services.

Federal income is a small portion of the entire district income. Again, most of the Federal income is restricted since it must be expended for purposes that are determined by the grantor and not the local Board of Education.

The District's total resources for expenditure in the budget year include a "beginning balance," which reflects a carryover of unexpended balances from the prior year.

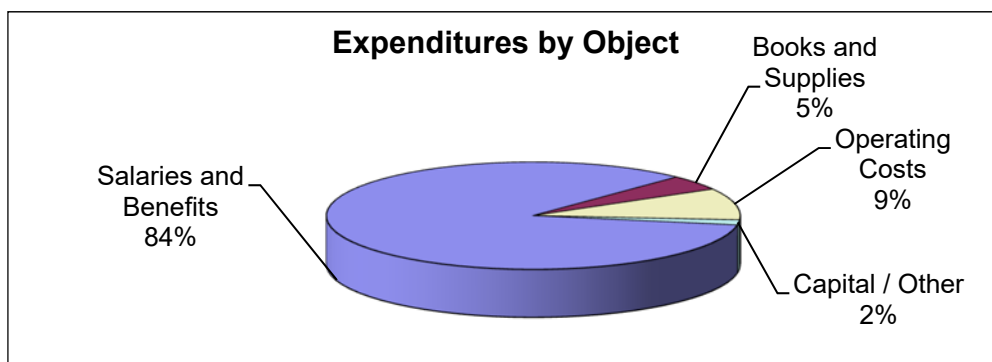
| Sources Available | |
|-----------------------------------|-----------------------|
| LCFF Revenue | \$ 62,454,592 |
| Federal Revenue | 2,491,862 |
| Other State Revenue | 8,218,203 |
| Local Revenue | 15,576,325 |
| Other Financing Sources | 711,125 |
| Total Revenue | \$ 89,452,107 |
| Beginning Fund Balance | 11,257,419 |
| Total General Fund Sources | \$ 100,709,526 |

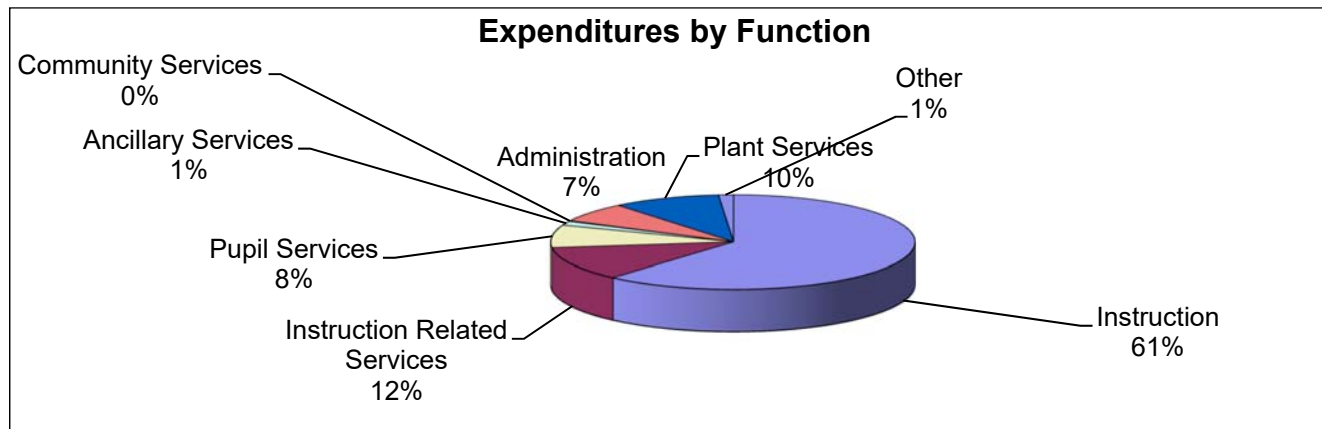


General Fund Expenditures

Employee salary and benefit costs consume 84% of the District's general fund expenditures. Over 61% of the District's expenditures go directly to the classroom for instructional salary and benefit costs.

| General Fund Expenditures | |
|---------------------------|----------------------|
| Salaries and Benefits | \$ 74,129,840 |
| Books and Supplies | 3,997,907 |
| Operating Costs | 8,354,743 |
| Capital/Other | 1,330,058 |
| Total Expenditures | \$ 87,812,548 |





General Fund Budget versus Actuals

| General Fund Budget vs. Actual | | | |
|--------------------------------|--------------------|----------------------|---------------------|
| | Actuals | Budget | Variance |
| Revenues | \$ 89,452,107 | \$ 86,904,200 | \$ 2,547,907 |
| Expenditures | \$ 87,812,548 | \$88,962,539 | \$ 1,149,991 |
| Difference | \$1,639,559 | (\$2,058,339) | \$ 3,697,898 |

The District's net increase in General Fund Balance was favorable to the Estimated Actuals by \$3,697,898. Revenue was favorable mainly due to Locally Restricted Revenue (Local Donations/Grants/SELPA) and Locally Unrestricted Revenue (Local Interest & Fees). Expenditures were favorable in Unrestricted Books and Supplies due to ELA adoption materials materializing in the following year in July.

Factors Bearing on the District's Future

Local:

- Structural spending deficit

Federal:

- Continual Implementation of Affordable Health Care Act

State:

- Local Control Funding Formula (LCFF)
 - Enrollment/ADA Stability & Growth
 - Accountability Model – Local Control Accountability Plan (LCAP)
 - Accountability is linked to a locally developed plan designated to achieve identified goals
- Increases to Retirement Pensions – STRS/PERS
- Continual Revenue Growth

Contacting the District's Financial Management

If you have any questions regarding this report or need additional financial information, contact, Bruce Colby, Associate Superintendent of Business Services, or Omaira Reyna, Director of Fiscal Services (530) 757-5300 x 122, or business@djUSD.net.

BASIC FINANCIAL STATEMENTS

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$ 43,625,236 |
| Receivables | 3,869,158 |
| Stores inventory | 36,825 |
| Non-depreciable capital assets (Note 4) | 18,311,006 |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | <u>77,953,599</u> |
| Total assets | <u>143,795,824</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow of resources - pensions (Notes 7 and 8) | 18,583,070 |
| Deferred loss from refunding of debt | <u>93,444</u> |
| Total deferred outflows of resources | <u>18,676,514</u> |
| LIABILITIES | |
| Accounts payable | 9,844,764 |
| Unearned revenue | 573,316 |
| Long-term liabilities (Note 5): | |
| Due within one year | 6,757,633 |
| Due after one year | <u>171,471,674</u> |
| Total liabilities | <u>188,647,387</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pensions (Notes 7 and 8) | <u>4,790,000</u> |
| NET POSITION | |
| Net investment in capital assets | 24,331,409 |
| Restricted: | |
| Legally restricted programs | 3,608,975 |
| Capital projects | 8,180,887 |
| Debt service | 15,293,298 |
| Self-insurance | 280,225 |
| Unrestricted | <u>(82,659,843)</u> |
| Total net position | <u>\$ (30,965,049)</u> |

See accompanying notes to financial statements.

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

| | | Program Revenues | | | Net (Expense) Revenues and Changes in Net Position |
|---|-----------------------|----------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction | \$ 63,991,246 | \$ 143,226 | \$ 8,774,123 | \$ - | \$ (55,073,897) |
| Instruction-related services: | | | | | |
| Supervision of instruction | 3,670,498 | 35,869 | 913,973 | - | (2,720,656) |
| Instructional library, media and technology | 1,885,267 | 3,369 | 106,023 | - | (1,775,875) |
| School site administration | 6,057,751 | 8,680 | 731,045 | - | (5,318,026) |
| Pupil services: | | | | | |
| Home-to-school transportation | 436,874 | 1,719 | 79,560 | - | (355,595) |
| Food services | 2,108,874 | 1,065,921 | 836,602 | - | (206,351) |
| All other pupil services | 7,952,006 | 9,035 | 944,831 | - | (6,998,140) |
| General administration: | | | | | |
| Data processing | 1,907,695 | - | 9,262 | - | (1,898,433) |
| All other general administration | 4,797,914 | 55,307 | 436,767 | - | (4,305,840) |
| Plant services | 9,536,399 | 216 | 961,161 | - | (8,575,022) |
| Ancillary services | 1,261,885 | 45,705 | 608,196 | - | (607,984) |
| Community services | 192,191 | 129 | 1,651 | - | (190,411) |
| Enterprise activities | 2,343 | - | - | - | (2,343) |
| Interest on long-term liabilities | 3,590,943 | - | - | - | (3,590,943) |
| Other outgo | 551,843 | 10,296 | 108,841 | - | (432,706) |
| Total governmental activities | <u>\$ 107,943,729</u> | <u>\$ 1,379,472</u> | <u>\$ 14,512,035</u> | <u>\$ -</u> | <u>\$ (92,052,222)</u> |
| General revenues: | | | | | |
| Taxes and subventions: | | | | | |
| Taxes levied for general purposes | | | | | 31,065,072 |
| Taxes levied for debt service | | | | | 10,062,532 |
| Taxes levied for other specific purposes | | | | | 10,217,313 |
| Federal and state aid not restricted to specific purposes | | | | | 39,567,864 |
| Interest and investment earnings | | | | | 237,142 |
| Miscellaneous | | | | | <u>1,556,253</u> |
| Total general revenues | | | | | <u>92,706,176</u> |
| Change in net position | | | | | 653,954 |
| Net position, July 1, 2016 | | | | | <u>(31,619,003)</u> |
| Net position, June 30, 2017 | | | | | <u>\$ (30,965,049)</u> |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

| | General Fund | Charter Schools Fund | Capital Projects for Blended Component Units Fund | Debt Service Fund | All Non-Major Funds | Total Governmental Funds |
|--|----------------------|----------------------------|---|-------------------------|---------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments: | | | | | | |
| Cash in County Treasury | \$ 15,470,089 | \$ 2,535,532 | \$ 7,031,331 | \$ 10,661,614 | \$ 4,781,500 | \$ 40,480,066 |
| Cash awaiting deposit | - | - | - | - | 1,780 | 1,780 |
| Cash on hand and in banks | - | - | - | - | 3,701 | 3,701 |
| Cash in revolving fund | 47,500 | 2,000 | - | - | 1,000 | 50,500 |
| Cash in LAIF | 12,683 | - | - | - | - | 12,683 |
| Cash with Fiscal Agent | 4 | - | 110,459 | 2,703,154 | - | 2,813,617 |
| Receivables | 3,408,845 | 76,608 | - | - | 383,605 | 3,869,058 |
| Due from other funds | 2,142,011 | 628 | 1,016,887 | - | 233,741 | 3,393,267 |
| Stores inventory | - | - | - | - | 36,825 | 36,825 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36,825</u> | <u>36,825</u> |
| Total assets | <u>\$ 21,081,132</u> | <u>\$ 2,614,768</u> | <u>\$ 8,158,677</u> | <u>\$ 13,364,768</u> | <u>\$ 5,442,152</u> | <u>\$ 50,661,497</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 7,222,119 | \$ 18,760 | \$ 1,190,023 | \$ - | \$ 661,416 | \$ 9,092,318 |
| Due to other funds | 390,557 | 1,861,383 | 24 | 877,935 | 280,604 | 3,410,503 |
| Unearned revenue | 571,478 | - | - | - | 1,838 | 573,316 |
| | <u>8,184,154</u> | <u>1,880,143</u> | <u>1,190,047</u> | <u>877,935</u> | <u>943,858</u> | <u>13,076,137</u> |
| Total liabilities | <u>8,184,154</u> | <u>1,880,143</u> | <u>1,190,047</u> | <u>877,935</u> | <u>943,858</u> | <u>13,076,137</u> |
| Fund balances: | | | | | | |
| Nonspendable | 47,500 | 2,000 | - | - | 37,825 | 87,325 |
| Restricted | 2,505,237 | 732,625 | 6,968,630 | 12,486,833 | 4,460,469 | 27,153,794 |
| Assigned | 2,656,503 | - | - | - | - | 2,656,503 |
| Unassigned | 7,687,738 | - | - | - | - | 7,687,738 |
| | <u>12,896,978</u> | <u>734,625</u> | <u>6,968,630</u> | <u>12,486,833</u> | <u>4,498,294</u> | <u>37,585,360</u> |
| Total fund balances | <u>12,896,978</u> | <u>734,625</u> | <u>6,968,630</u> | <u>12,486,833</u> | <u>4,498,294</u> | <u>37,585,360</u> |
| Total liabilities and fund balances | <u>\$ 21,081,132</u> | <u>\$ 2,614,768</u> | <u>\$ 8,158,677</u> | <u>\$ 13,364,768</u> | <u>\$ 5,442,152</u> | <u>\$ 50,661,497</u> |

See accompanying notes to financial statements.

DAVIS 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 \$ 37,585,360

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$178,477,899 and the accumulated depreciation is \$82,213,294 (Note 4). 96,264,605

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2017 consisted of (Note 5):

| | | |
|--|------------------|---------------|
| Special Tax Bonds | \$ (19,390,000) | |
| General Obligation Bonds | (13,610,000) | |
| Unamortized premiums | (2,747,275) | |
| Certificates of Participation | (36,124,774) | |
| Accreted interest | (5,562,169) | |
| Capitalized lease obligations | (265,051) | |
| Other postemployment benefits (Note 9) | (9,205,195) | |
| Net pension liability (Notes 7 and 8) | (90,996,000) | |
| Compensated absences | <u>(328,843)</u> | |
| | | (178,229,307) |

Losses on the refunding of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. 93,444

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).

| | | |
|---|--------------------|------------|
| Deferred outflows of resources relating to pensions | \$ 18,583,070 | |
| Deferred inflows of resources relating to pensions | <u>(4,790,000)</u> | |
| | | 13,793,070 |

Unmatured interest on long-term debt is recognized in the period incurred. (752,446)

Internal service funds are included in the government-wide financial statements. 280,225

Total net position - governmental activities \$ (30,965,049)

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

| | General Fund | Charter Schools Fund | Capital Projects for Blended Component Units Fund | Debt Service Fund | All Non-Major Funds | Total Governmental Funds |
|---|----------------------|----------------------------|---|-------------------------|---------------------------|--------------------------------|
| Revenues: | | | | | | |
| Local Control Funding Formula (LCFF): | | | | | | |
| State apportionment | \$ 33,347,528 | \$ 2,634,688 | \$ - | \$ - | \$ - | \$ 35,982,216 |
| Local sources | <u>29,107,064</u> | <u>1,958,009</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,065,073</u> |
| Total LCFF | <u>62,454,592</u> | <u>4,592,697</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>67,047,289</u> |
| Federal sources | 2,491,862 | - | - | - | 788,629 | 3,280,491 |
| Other state sources | 8,218,203 | 476,662 | - | - | 721,595 | 9,416,460 |
| Other local sources | <u>15,576,325</u> | <u>69,546</u> | <u>67,216</u> | <u>8,273,102</u> | <u>4,182,194</u> | <u>28,168,383</u> |
| Total revenues | <u>88,740,982</u> | <u>5,138,905</u> | <u>67,216</u> | <u>8,273,102</u> | <u>5,692,418</u> | <u>107,912,623</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Certificated salaries | 40,437,645 | 1,961,005 | - | - | 480,744 | 42,879,394 |
| Classified salaries | 16,690,494 | 287,658 | 178,749 | - | 1,153,763 | 18,310,664 |
| Employee benefits | 17,001,701 | 672,644 | 47,240 | - | 458,826 | 18,180,411 |
| Books and supplies | 3,997,907 | 187,054 | 30,093 | - | 853,937 | 5,068,991 |
| Contract services and operating expenditures | 8,354,743 | 1,766,426 | 866,512 | - | 318,573 | 11,306,254 |
| Other outgo | 551,843 | - | - | - | - | 551,843 |
| Capital outlay | 542,611 | - | 6,609,184 | - | 4,551,886 | 11,703,681 |
| Debt service: | | | | | | |
| Principal retirement | 109,713 | 17,108 | 655,000 | 3,738,560 | 1,325,224 | 5,845,605 |
| Interest | <u>1,325</u> | <u>822</u> | <u>68,909</u> | <u>2,415,429</u> | <u>575,693</u> | <u>3,062,178</u> |
| Total expenditures | <u>87,687,982</u> | <u>4,892,717</u> | <u>8,455,687</u> | <u>6,153,989</u> | <u>9,718,646</u> | <u>116,909,021</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,053,000</u> | <u>246,188</u> | <u>(8,388,471)</u> | <u>2,119,113</u> | <u>(4,026,228)</u> | <u>(8,996,398)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 373,817 | - | 723,909 | - | 107,330 | 1,205,056 |
| Transfers out | (124,566) | (225,205) | - | (723,909) | (148,612) | (1,222,292) |
| Proceeds from capital lease | <u>337,308</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>337,308</u> |
| Total other financing sources (uses) | <u>586,559</u> | <u>(225,205)</u> | <u>723,909</u> | <u>(723,909)</u> | <u>(41,282)</u> | <u>320,072</u> |
| Net change in fund balances | 1,639,559 | 20,983 | (7,664,562) | 1,395,204 | (4,067,510) | (8,676,326) |
| Fund balances, July 1, 2016 | <u>11,257,419</u> | <u>713,642</u> | <u>14,633,192</u> | <u>11,091,629</u> | <u>8,565,804</u> | <u>46,261,686</u> |
| Fund balances, June 30, 2017 | <u>\$ 12,896,978</u> | <u>\$ 734,625</u> | <u>\$ 6,968,630</u> | <u>\$ 12,486,833</u> | <u>\$ 4,498,294</u> | <u>\$ 37,585,360</u> |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(Continued)

| | |
|---|----------------|
| Net change in fund balances - Total Governmental Funds | \$ (8,676,326) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). | 12,246,627 |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). | (5,305,351) |
| In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net position, proceeds from debt are reported as increases to liabilities (Note 6). | (337,308) |
| Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5). | 5,845,605 |
| Accreted interest is an expense that is not recorded in the governmental funds (Note 5). | (911,663) |
| In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements, debt issued at a premium is amortized as interest over the life of the debt (Note 5). | 298,817 |
| Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. | (7,787) |
| Interest on long-term liabilities is recognized in the period it is incurred. In governmental funds, it is only recognized when it is due. | 91,868 |
| In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other postemployment benefits are recognized on the accrual basis (Note 9). | (512,087) |
| In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5). | 77,912 |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

| | |
|---|--------------------------|
| In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: | \$ (2,136,751) |
| Activities of the internal service fund are reported with governmental activities. | <u>(19,602)</u> |
| Change in net position of governmental activities | <u><u>\$ 653,954</u></u> |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2017

ASSETS

Current assets:

| | |
|-------------------------|---------------|
| Cash in County Treasury | \$ 262,889 |
| Receivables | 100 |
| Due from other funds | <u>17,236</u> |

| | |
|----------------------|----------------|
| Total current assets | <u>280,225</u> |
|----------------------|----------------|

NET POSITION

| | |
|----------------------------------|--------------------------|
| Restricted for payment of claims | <u><u>\$ 280,225</u></u> |
|----------------------------------|--------------------------|

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2017

| | |
|--|--------------------------|
| Operating revenues: | |
| In-District premiums | \$ 26,565 |
| Operating expenses: | |
| Classified salaries | 363 |
| Employee benefits | 46 |
| Books and supplies | 11,276 |
| Contract services and operating expenses | <u>53,260</u> |
| Total operating expenses | <u>64,945</u> |
| Operating loss | <u>(38,380)</u> |
| Non-operating revenues: | |
| Interest income | 1,542 |
| Transfers in | <u>17,236</u> |
| Total non-operating revenues | <u>18,778</u> |
| Change in net position | (19,602) |
| Net position, July 1, 2016 | <u>299,827</u> |
| Net position, June 30, 2017 | <u><u>\$ 280,225</u></u> |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2017

| | |
|---|---------------------------|
| Cash flows from operating activities: | |
| Cash received from premiums | \$ 26,775 |
| Cash paid for supplies and operating expenses | <u>(64,945)</u> |
| Net cash used in operating activities | (38,170) |
| Cash flows provided by investing activities: | |
| Interest income received | 1,542 |
| Cash flows from non-capital financing activities: | |
| Transfer in from other funds | <u>17,236</u> |
| Decrease in cash and investments | (19,392) |
| Cash in County Treasury, July 1, 2016 | <u>282,281</u> |
| Cash in County Treasury, June 30, 2017 | <u><u>\$ 262,889</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (38,380) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| (Increase) in receivables | (20) |
| Decrease in due from other funds | <u>230</u> |
| Net cash used in operating activities | <u><u>\$ (38,170)</u></u> |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2017

| | Foundation <u>Trust</u> | Agency Student <u>Body</u> |
|--------------------------------|----------------------------|----------------------------------|
| ASSETS | | |
| Cash and investments (Note 2): | | |
| Cash in County Treasury | \$ 103,872 | \$ - |
| Cash on hand and in banks | - | 173,093 |
| Receivables | <u>2,500</u> | <u>-</u> |
| Total assets | <u>106,372</u> | <u>\$ 173,093</u> |
| LIABILITIES | | |
| Due to student groups | <u>-</u> | <u>\$ 173,093</u> |
| NET POSITION | | |
| Restricted for scholarships | <u>\$ 106,372</u> | |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2017

| | |
|--|--------------------------|
| Additions: | |
| Local sources | \$ 37,864 |
| Deductions: | |
| Contract services and operating expenditures | <u>27,514</u> |
| Change in net position | 10,350 |
| Net position, July 1, 2016 | <u>96,022</u> |
| Net position, June 30, 2017 | <u><u>\$ 106,372</u></u> |

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Davis 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:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The District and Davis Schools Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, for inclusion of the Corporation as a blended component unit of the District. Accordingly, the financial activity of the Corporation has been included in the basic financial statements of the District as the Debt Service Fund.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Codification Section 2100 criteria:

A - Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the District's Board of Education.
2. The Corporation has no employees. The District's Superintendent functions as an agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

B - Accountability for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
2. Any deficits incurred by the Corporation will be reflected in the lease payment of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

C - Scope of Public Service

1. The Corporation was created for the sole purpose of financially assisting the District.

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund.

Charters School Fund:

The Charter Schools Fund is a special revenue fund used to account for the proceeds from specific revenue sources related to the Charter School activities.

Capital Projects for Blended Component Units Fund:

The Capital Projects for Blended Component Units Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

B - Other Funds

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

Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. This includes the Capital Facilities and Special Reserve Funds.

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

The Self-Insurance Fund is an internal service fund which is used to cover deductibles and other insurance liability risks.

The Foundation Trust Fund is used to account for assets held by the District as Trustee.

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of Student Body Funds.

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

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

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

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stores Inventory: Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets: The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide state of net position, but are not reported in the fund financial statements.

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at acquisition value of contributed asset. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 30 years depending on asset types.

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

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| | <u>STRP</u> | <u>PERF B</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| Deferred outflows of resources | <u>\$ 10,344,394</u> | <u>\$ 8,238,676</u> | <u>\$ 18,583,070</u> |
| Deferred inflows of resources | <u>\$ 3,753,000</u> | <u>\$ 1,037,000</u> | <u>\$ 4,790,000</u> |
| Net pension liability | <u>\$ 64,757,000</u> | <u>\$ 26,239,000</u> | <u>\$ 90,996,000</u> |
| Pension expense | <u>\$ 9,920,864</u> | <u>\$ 3,769,245</u> | <u>\$ 13,690,109</u> |

Compensated Absences: Compensated absences benefits in the amount of \$328,843 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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

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

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2- Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for self-insurance represents the portion of net position restricted for payment of the contract services related to claims. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2017, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2017, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2017, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

NOTE 2 - CASH AND INVESTMENTS

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

| | Governmental Funds | Proprietary Fund | Total Governmental Activities | Fiduciary Funds |
|------------------------------|-----------------------|---------------------|-------------------------------------|--------------------|
| Pooled funds: | | | | |
| Cash in County Treasury | \$ 40,480,066 | \$ 262,889 | \$ 40,742,955 | \$ 103,872 |
| Local Agency Investment Fund | 12,683 | - | 12,683 | - |
| Deposits: | | | | |
| Cash in revolving fund | 50,500 | - | 50,500 | - |
| Cash on hand and in banks | 3,701 | - | 3,701 | 173,093 |
| Cash awaiting deposit | 1,780 | - | 1,780 | - |
| Cash with Fiscal Agent | <u>2,813,617</u> | <u>-</u> | <u>2,813,617</u> | <u>-</u> |
| Total cash and investments | <u>\$ 43,362,347</u> | <u>\$ 262,889</u> | <u>\$ 43,625,236</u> | <u>\$ 276,965</u> |

Pooled Funds - Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Yolo County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds - Local Agency Investment Fund: The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's accounts were \$227,294 and the bank balances were \$221,322. The total bank balance was insured at June 30, 2017.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects and repayment of debt. The District holds their funds with the Yolo County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2017 were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--|----------------------------------|-------------------------------|
| Major Funds: | | |
| General | \$ 2,142,011 | \$ 390,557 |
| Charter Schools | 628 | 1,861,383 |
| Capital Projects for Blended Component Units | 1,016,887 | 24 |
| Debt Service | - | 877,935 |
| Non-Major Funds: | | |
| Adult Education | 10 | 24,437 |
| Child Development | 34,882 | 25,482 |
| Cafeteria | 135 | 216,685 |
| Capital Facilities | <u>198,714</u> | <u>14,000</u> |
| Total governmental funds | 3,393,267 | 3,410,503 |
| Proprietary Fund: | | |
| Self-Insurance | <u>17,236</u> | <u>-</u> |
| Totals | <u><u>\$ 3,410,503</u></u> | <u><u>\$ 3,410,503</u></u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Transfers for the 2016-2017 fiscal year were as follows:

| | |
|---|----------------------------|
| Transfer from the General Fund to the Cafeteria Fund for parcel tax contributions. | \$ 70,000 |
| Transfer from the General Fund to the Child Development Fund for contributions to the program. | 37,330 |
| Transfer from the General Fund to the Self-Insurance Fund for safety credits transfer. | 17,236 |
| Transfer from the Charter Schools Fund to the General Fund for indirect costs. | 225,205 |
| Transfer from the Debt Service Fund to the Capital Projects for Blended Component Units Fund for Certificates of Participation payments and to transfer additional revenue. | 723,909 |
| Transfer from the Adult Education Fund to the General Fund for indirect costs. | 24,429 |
| Transfer from the Child Development Fund to the General Fund for indirect costs. | 25,474 |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs. | <u>98,709</u> |
| | <u><u>\$ 1,222,292</u></u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

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

| | Balance July 1, 2016 | Transfers and Additions | Transfers and Deletions | Balance June 30, 2017 |
|--------------------------------|----------------------------|-------------------------------|-------------------------------|-----------------------------|
| <u>Governmental Activities</u> | | | | |
| Non-depreciable: | | | | |
| Land | \$ 10,055,899 | \$ - | \$ - | \$ 10,055,899 |
| Work-in-process | 1,938,678 | 7,795,890 | 1,479,461 | 8,255,107 |
| Depreciable: | | | | |
| Improvement of sites | 5,036,762 | 2,499,893 | - | 7,536,655 |
| Buildings | 142,596,647 | 3,157,117 | - | 145,753,764 |
| Equipment | <u>6,603,286</u> | <u>273,188</u> | <u>-</u> | <u>6,876,474</u> |
| Totals, at cost | <u>166,231,272</u> | <u>13,726,088</u> | <u>1,479,461</u> | <u>178,477,899</u> |
| Less accumulated depreciation: | | | | |
| Improvement of sites | 3,457,578 | 259,476 | - | 3,717,054 |
| Buildings | 68,093,545 | 4,738,983 | - | 72,832,528 |
| Equipment | <u>5,356,820</u> | <u>306,892</u> | <u>-</u> | <u>5,663,712</u> |
| Total accumulated depreciation | <u>76,907,943</u> | <u>5,305,351</u> | <u>-</u> | <u>82,213,294</u> |
| Capital assets, net | <u>\$ 89,323,329</u> | <u>\$ 8,420,737</u> | <u>\$ 1,479,461</u> | <u>\$ 96,264,605</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---------------------|
| Instruction | \$ 4,976,416 |
| Instructional library, media and technology | 10,611 |
| School site administration | 5,305 |
| Food services | 21,222 |
| All other general administration | 153,856 |
| Centralized data processing | 15,916 |
| Plant services | <u>122,025</u> |
| Total depreciation expense | <u>\$ 5,305,351</u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES

Special Tax Bonds: On May 16, 2012, the District issued a Special Tax Bond, Refunding Series 2012 totaling \$17,450,000. This serial bond has interest rates ranging from 2.00% to 3.50% maturing on August 15, 2028. As of June 30, 2017, no amounts of the refunded bonds were outstanding. The annual requirements to amortize the Series 2012, Special Tax Bond outstanding as of June 30, 2017, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 1,235,000 | \$ 329,245 | \$ 1,564,245 |
| 2019 | 1,275,000 | 329,245 | 1,604,245 |
| 2020 | 1,305,000 | 1,305,000 | 2,610,000 |
| 2021 | 1,345,000 | 250,795 | 1,595,795 |
| 2022 | 1,255,000 | 211,795 | 1,466,795 |
| 2023-2027 | 4,765,000 | 568,070 | 5,333,070 |
| 2028-2029 | <u>1,330,000</u> | <u>41,475</u> | <u>1,371,475</u> |
| | <u>\$ 12,510,000</u> | <u>\$ 3,035,625</u> | <u>\$ 15,545,625</u> |

In June 2015, the District issued a Special Tax Bond, Refunding Series 2015 totaling \$7,385,000. This serial bond has interest rates ranging from 2.0% to 4.0% maturing on August 15, 2029. As of June 30, 2017, no amounts of the refunded bonds were outstanding. The annual requirements to amortize the Series 2015, Special Tax Refunding Bonds outstanding as of June 30, 2017, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 445,000 | \$ 214,100 | \$ 659,100 |
| 2019 | 455,000 | 205,100 | 660,100 |
| 2020 | 465,000 | 195,900 | 660,900 |
| 2021 | 475,000 | 186,500 | 661,500 |
| 2022 | 485,000 | 174,475 | 659,475 |
| 2023-2027 | 2,695,000 | 580,550 | 3,275,550 |
| 2028-2030 | <u>1,860,000</u> | <u>99,050</u> | <u>1,959,050</u> |
| | <u>\$ 6,880,000</u> | <u>\$ 1,655,675</u> | <u>\$ 8,535,675</u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds: In April 2010, the District issued General Obligation Refunding Bonds for the purpose of refunding the General Obligation Bond Series 2000. The refunding bonds have interest rates ranging from 3.5% to 5%, maturing on August 1, 2025. The annual payments required to amortize the Series 2010 General Obligation Refunding Bonds outstanding as of June 30, 2017 are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 605,000 | \$ 243,550 | \$ 848,550 |
| 2019 | 630,000 | 220,425 | 850,425 |
| 2020 | 655,000 | 196,300 | 851,300 |
| 2021 | 685,000 | 169,500 | 854,500 |
| 2022 | 715,000 | 141,500 | 856,500 |
| 2023-2026 | <u>3,180,000</u> | <u>261,000</u> | <u>3,441,000</u> |
| | <u>\$ 6,470,000</u> | <u>\$ 1,232,275</u> | <u>\$ 7,702,275</u> |

In August 2011, the District issued General Obligation Refunding Bonds for the purpose of refunding the General Obligation Bond Series 2002. The refunding bonds have interest rates ranging from 2% to 5%, maturing on August 1, 2027. The annual payments required to amortize the Series 2011 General Obligation Refunding Bonds outstanding as of June 30, 2017 are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 515,000 | \$ 277,694 | \$ 792,694 |
| 2019 | 535,000 | 254,019 | 789,019 |
| 2020 | 560,000 | 226,644 | 786,644 |
| 2021 | 590,000 | 197,894 | 787,894 |
| 2022 | 620,000 | 167,644 | 787,644 |
| 2023-2027 | <u>3,540,000</u> | <u>437,097</u> | <u>3,977,097</u> |
| 2028 | <u>780,000</u> | <u>13,649</u> | <u>793,649</u> |
| | <u>\$ 7,140,000</u> | <u>\$ 1,574,641</u> | <u>\$ 8,714,641</u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation: The District issued Certificates of Participation (COPs) totaling \$9,996,960 on August 25, 2005. The COPs carry a variable interest rate ranging from 3.00% to 4.00%, and mature on August 1, 2018 as follows:

| Year Ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|---------------------|---------------------|----------------------|
| 2018 | \$ 3,206,650 | \$ 2,031,850 | \$ 5,238,500 |
| 2019 | <u>3,061,750</u> | <u>2,167,750</u> | <u>5,229,500</u> |
| | <u>\$ 6,268,400</u> | <u>\$ 4,199,600</u> | <u>\$ 10,468,000</u> |

The District issued Certificates of Participation (COPs) totaling \$4,994,311 on May 1, 2009. The COPs have an interest rate of 4.17%, and mature on August 1, 2019 as follows:

| Year Ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 55,000 | \$ 54,106 | \$ 109,106 |
| 2019 | 270,000 | 47,330 | 317,330 |
| 2020 | <u>3,564,311</u> | <u>1,666,538</u> | <u>5,230,849</u> |
| | <u>\$ 3,889,311</u> | <u>\$ 1,767,974</u> | <u>\$ 5,657,285</u> |

The District issued Certificates of Participation (COPs) totaling \$25,967,063 on August 7, 2014. The COPs have an interest rate ranging from 2.0% to 4.0%, and mature on August 1, 2022 as follows:

| Year Ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ - | \$ 645,400 | \$ 645,400 |
| 2019 | - | 645,400 | 645,400 |
| 2020 | 158,476 | 661,923 | 820,399 |
| 2021 | 4,316,945 | 1,278,456 | 5,595,401 |
| 2022 | 4,700,035 | 1,150,365 | 5,850,400 |
| 2023 | <u>16,791,607</u> | <u>1,686,893</u> | <u>18,478,500</u> |
| | <u>\$ 25,967,063</u> | <u>\$ 6,068,437</u> | <u>\$ 32,035,500</u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases equipment under five capital lease agreements. Equipment under capital lease has an original cost of \$2,664,130 and at June 30, 2017 accumulated depreciation related to the leased equipment totaled \$2,394,284.

The annual requirement to amortize the capitalized lease obligations at June 30, 2017 is as follows:

| <u>Year Ended June 30,</u> | <u>Lease Payments</u> |
|---|---------------------------|
| 2018 | \$ 72,258 |
| 2019 | 72,258 |
| 2020 | 72,258 |
| 2021 | <u>72,258</u> |
| Less amount representing interest | <u>(23,981)</u> |
| Present value of net minimum lease payments | <u><u>\$ 265,051</u></u> |

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017 is shown below:

| | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2017</u> | <u>Amounts Due Within One Year</u> |
|---|---------------------------------|-----------------------------|----------------------------|--------------------------------------|--|
| Special Tax Bonds | \$ 21,025,000 | \$ - | \$ 1,635,000 | \$ 19,390,000 | \$ 1,680,000 |
| General Obligation Bonds | 14,680,000 | - | 1,070,000 | 13,610,000 | 1,120,000 |
| Unamortized premium | 3,046,092 | - | 298,817 | 2,747,275 | 304,310 |
| Certificates of Participation | 38,883,334 | - | 2,758,560 | 36,124,774 | 3,261,650 |
| Accreted interest | 4,650,506 | 911,663 | - | 5,562,169 | - |
| Capitalized lease obligations | 309,788 | 337,308 | 382,045 | 265,051 | 62,830 |
| Other postemployment benefits (Note 9) | 8,693,108 | 824,267 | 312,180 | 9,205,195 | - |
| Net pension liability (Notes 7 and 8) | 75,602,000 | 15,394,000 | - | 90,996,000 | - |
| Compensated absences | <u>406,755</u> | <u>2,343</u> | <u>80,255</u> | <u>328,843</u> | <u>328,843</u> |
| Totals | <u><u>\$ 167,296,583</u></u> | <u><u>\$ 17,469,581</u></u> | <u><u>\$ 6,536,857</u></u> | <u><u>\$ 178,229,307</u></u> | <u><u>\$ 6,757,633</u></u> |

Payments on the Special Tax Bonds are made from the Debt Service Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service and Capital Projects for Blended Component Units Funds. Payments on the capitalized lease obligations are made from the General, Charter Schools, Cafeteria and Capital Facilities Funds. Payments on the compensated absences, net pension liability and other postemployment benefits are made from the fund for which the related employee worked.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - FUND BALANCES

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

| | General Fund | Charter Schools Fund | Capital Projects for Blended Components Units Fund | Debt Service Fund | All Non-Major Funds | Total |
|-------------------------------------|----------------------|----------------------------|--|-------------------------|---------------------------|----------------------|
| Nonspendable: | | | | | | |
| Revolving cash fund | \$ 47,500 | \$ 2,000 | \$ - | \$ - | \$ 1,000 | \$ 50,500 |
| Stores inventory | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36,825</u> | <u>36,825</u> |
| Subtotal nonspendable | <u>47,500</u> | <u>2,000</u> | <u>-</u> | <u>-</u> | <u>37,825</u> | <u>87,325</u> |
| Restricted: | | | | | | |
| Legally restricted programs | 2,505,237 | 732,625 | - | - | 331,288 | 3,569,150 |
| Capital projects | - | - | 6,968,630 | - | 1,322,716 | 8,291,346 |
| Debt service | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,486,833</u> | <u>2,806,465</u> | <u>15,293,298</u> |
| Subtotal restricted | <u>2,505,237</u> | <u>732,625</u> | <u>6,968,630</u> | <u>12,486,833</u> | <u>4,460,469</u> | <u>27,153,794</u> |
| Assigned: | | | | | | |
| Carryover/Commitments | 74,052 | - | - | - | - | 74,052 |
| Classified Intern Program | 147,341 | - | - | - | - | 147,341 |
| LCAP Commitments | 287,233 | - | - | - | - | 287,233 |
| Deficit Spending Reserve | 735,109 | - | - | - | - | 735,109 |
| Board Approved ELA Adoption | <u>1,412,768</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,412,768</u> |
| Subtotal assigned | <u>2,656,503</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,656,503</u> |
| Unassigned: | | | | | | |
| Designated for economic uncertainty | 6,995,099 | - | - | - | - | 6,995,099 |
| Unassigned | <u>692,639</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>692,639</u> |
| Subtotal unassigned | <u>7,687,738</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,687,738</u> |
| Total fund balances | <u>\$ 12,896,978</u> | <u>\$ 734,625</u> | <u>\$ 6,968,630</u> | <u>\$ 12,486,833</u> | <u>\$ 4,498,294</u> | <u>\$ 37,585,360</u> |

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

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

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

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

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

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

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

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

Employers – 12.58 percent of applicable member earnings.

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>Increase</u> | <u>Total</u> |
|-----------------------|-------------------|--|--------------|
| July 01, 2015 | 8.25% | 2.48% | 10.73% |
| July 01, 2016 | 8.25% | 4.33% | 12.58% |
| July 01, 2017 | 8.25% | 6.18% | 14.43% |
| July 01, 2018 | 8.25% | 8.03% | 16.28% |
| July 01, 2019 | 8.25% | 9.88% | 18.13% |
| July 01, 2020 | 8.25% | 10.85% | 19.10% |
| July 01, 2046 | 8.25% | Increase from prior rate ceases in 2046-47 | |

The District contributed \$5,196,394 to the plan for the fiscal year ended June 30, 2017.

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

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

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

| <u>Effective Date</u> | <u>Base Rate</u> | <u>AB 1469 Increase For 1990 Benefit Structure</u> | <u>SBMA Funding⁽¹⁾</u> | <u>Total State Appropriation to DB Program</u> |
|-----------------------------------|------------------|--|---------------------------------------|--|
| July 01, 2016 | 2.017% | 4.311% | 2.50% | 8.828% |
| July 01, 2017 | 2.017% | 4.311% ⁽²⁾ | 2.50% | 9.328% |
| July 01, 2017 to June 30, 2046 | 2.017% | (3) | 2.50% | (3) |
| July 01, 2046 and thereafter | 2.017% | (3) | 2.50% | 4.517% ⁽³⁾ |

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|------------------------------|
| District's proportionate share of the net pension liability | \$ 64,757,000 |
| State's proportionate share of the net pension liability associated with the District | <u>36,868,000</u> |
| Total | <u><u>\$ 101,625,000</u></u> |

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2016, the District's proportion was 0.080 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$9,920,864 and revenue of \$4,025,387 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 1,580,000 |
| Changes of assumptions | - | - |
| Net differences between projected and actual earnings on investments | 5,148,000 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 2,173,000 |
| Contributions made subsequent to measurement date | <u>5,196,394</u> | <u>-</u> |
| Total | <u><u>\$ 10,344,394</u></u> | <u><u>\$ 3,753,000</u></u> |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$5,196,394 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended
June 30,

| | |
|------|--------------|
| 2018 | \$ (597,366) |
| 2019 | \$ (597,366) |
| 2020 | \$ 2,412,133 |
| 2021 | \$ 1,264,467 |
| 2022 | \$ (666,533) |
| 2023 | \$ (420,335) |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2015 |
| Experience Study | July 1, 2006 through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.60% |
| Consumer Price Inflation | 3.00% |
| Wage Growth | 3.75% |
| Post-retirement Benefit Increases | 2.00% simple for DB Not applicable for DBS/CBB |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuations for more information.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

* 20-year geometric average

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

| | <u>1% Decrease (6.60%)</u> | <u>Current Discount Rate (7.60%)</u> | <u>1% Increase (8.60%)</u> |
|---|----------------------------|--------------------------------------|----------------------------|
| District's proportionate share of the net pension liability | <u>\$ 93,200,000</u> | <u>\$ 64,757,000</u> | <u>\$ 41,134,000</u> |

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

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

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

The District contributed \$2,331,676 to the plan for the fiscal year ended June 30, 2017.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

At June 30, 2017, the District reported a liability of \$26,239,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2016, the District’s proportion was 0.133 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,769,245. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 1,129,000 | \$ - |
| Changes of assumptions | - | 788,000 |
| Net differences between projected and actual earnings on investments | 4,071,000 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 707,000 | 249,000 |
| Contributions made subsequent to measurement date | <u>2,331,676</u> | <u>-</u> |
| Total | <u>\$ 8,238,676</u> | <u>\$ 1,037,000</u> |

\$2,331,676 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended
June 30,

| | |
|------|--------------|
| 2018 | \$ 1,077,633 |
| 2019 | \$ 837,633 |
| 2020 | \$ 1,892,134 |
| 2021 | \$ 1,062,600 |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

| | |
|-----------------------------------|--|
| Valuation Date | June 30, 2015 |
| Experience Study | June 30, 1997 through June 30, 2011 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.65% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter |

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

| <u>Asset Class</u> | <u>Long-Term* Assumed Asset Allocation</u> | <u>Expected Real Rate of Return</u> |
|-----------------------------|--|---|
| Global Equity | 51% | 5.25% |
| Global Debt Securities | 20 | 0.99 |
| Inflation Assets | 6 | 0.45 |
| Private Equity | 10 | 6.83 |
| Real Estate | 10 | 4.50 |
| Infrastructure & Forestland | 2 | 4.50 |
| Liquidity | 1 | (0.55) |

* 10-year geometric average

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

| | 1% Decrease (6.65%) | Current Discount Rate (7.65%) | 1% Increase (8.65%) |
|--|---------------------------|-------------------------------------|---------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 39,148,000</u> | <u>\$ 26,239,000</u> | <u>\$ 15,489,000</u> |

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the benefits described in Notes 7 and 8, the District provides postemployment health care benefits to age 65 for certain groups of employees who retire from the District, under a single employer defined benefit OPEB plan, after attaining age 55 with at least 15 years of service. These postemployment health care benefit provisions are established per contractual agreement with employee groups. The District pays up to \$125 per month for health benefits of these retirees to the age of 65. The plan does not issue separate financial statements.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

| | |
|--|----------------------------|
| Annual required contribution | \$ 1,781,147 |
| Interest on net OPEB obligation | 391,190 |
| Adjustment to annual required contribution | <u>(1,348,070)</u> |
| Annual OPEB cost (expense) | 824,267 |
| Contributions made | <u>(312,180)</u> |
| Increase in net OPEB obligation | 512,087 |
| Net OPEB obligation - beginning of year | <u>8,693,108</u> |
| Net OPEB obligation - end of year | <u><u>\$ 9,205,195</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and preceding two years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2015 | \$ 1,331,080 | 21.8% | \$ 7,707,893 |
| June 30, 2016 | \$ 1,309,917 | 24.8% | \$ 8,693,108 |
| June 30, 2017 | \$ 824,267 | 37.9% | \$ 9,205,195 |

As of September 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$14.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$14.9 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$46.3 million, and the ratio of the UAAL to the covered payroll was 32 percent. The OPEB plan is currently operated as a single employer pay-as-you-go plan and does not issue stand-alone financial statements.

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the September 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 30 years.

NOTE 10 - JOINT POWERS AGREEMENTS

Davis Joint Unified School District participates in one joint venture under joint powers agreement (JPA) with North Bay Schools Insurance Authority (NBSIA). The relationship between Davis Joint Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

NBSIA arranges for and provides property, liability, and workers' compensation insurance coverage for its members. The JPA's governing board consist of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district is obligated to pay an amount commensurate with the level of coverage requested and may be subject to assessments. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. have been no significant reductions in insurance coverage in the prior year.

Condensed financial information for the year ended June 30, 2016 (most recent information available) is as follows:

| | | |
|--------------------------------------|----|------------|
| Total assets | \$ | 65,698,613 |
| Total deferred outflows of resources | \$ | 590,358 |
| Total liabilities | \$ | 32,622,176 |
| Total deferred inflows of resources | \$ | 649,431 |
| Net position | \$ | 33,017,364 |
| Total revenues | \$ | 29,709,559 |
| Total expenditures | \$ | 25,428,266 |
| Change in net position | \$ | 4,281,293 |

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 - CONTINGENCIES

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

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

As of June 30, 2017, the District has approximately \$7.4 million in outstanding commitments on ongoing construction contracts.

NOTE 12 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes: On October 12, 2017, the District issued \$5,700,000 of Tax and Revenue Anticipation Notes (TRANs). The TRANs mature on June 29, 2018 and yield 0.9 percent interest. The TRANs were sold to supplement cash flow and are repaid from taxes, income, revenue, cash receipts and other moneys received by or accruing to the General Fund of the District during the 2017-18 year.

REQUIRED SUPPLEMENTARY INFORMATION

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

| | <u>Budget</u> | | | Variance Favorable (Unfavorable) |
|--|----------------------|---------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Local Control Funding Formula (CLIFF): | | | | |
| State apportionment | \$ 32,810,862 | \$ 33,207,970 | \$ 33,347,528 | \$ 139,558 |
| Local sources | <u>29,103,495</u> | <u>28,993,642</u> | <u>29,107,064</u> | <u>113,422</u> |
| Total CLIFF | <u>61,914,357</u> | <u>62,201,612</u> | <u>62,454,592</u> | <u>252,980</u> |
| Federal sources | 2,496,270 | 2,591,296 | 2,491,862 | (99,434) |
| Other state sources | 5,860,743 | 6,801,367 | 8,218,203 | 1,416,836 |
| Other local sources | <u>13,335,122</u> | <u>14,903,740</u> | <u>15,576,325</u> | <u>672,585</u> |
| Total revenues | <u>83,606,492</u> | <u>86,498,015</u> | <u>88,740,982</u> | <u>2,242,967</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 39,619,793 | 40,422,231 | 40,437,645 | (15,414) |
| Classified salaries | 16,312,169 | 16,684,813 | 16,690,494 | (5,681) |
| Employee benefits | 15,734,443 | 15,923,499 | 17,001,701 | (1,078,202) |
| Books and supplies | 3,968,498 | 5,605,711 | 3,997,907 | 1,607,804 |
| Contract services and operating expenditures | 8,186,356 | 8,937,537 | 8,354,743 | 582,794 |
| Other outgo | 636,810 | 163,471 | 551,843 | (388,372) |
| Capital outlay | 356,274 | 550,290 | 542,611 | 7,679 |
| Debt service: | | | | |
| Principal retirement | 110,000 | 111,534 | 109,713 | 1,821 |
| Interest | <u>6,500</u> | <u>25,308</u> | <u>1,325</u> | <u>23,983</u> |
| Total expenditures | <u>84,930,843</u> | <u>88,424,394</u> | <u>87,687,982</u> | <u>736,412</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(1,324,351)</u> | <u>(1,926,379)</u> | <u>1,053,000</u> | <u>2,979,379</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 436,538 | - | 373,817 | 373,817 |
| Transfers out | (131,874) | (131,960) | (124,566) | 7,394 |
| Proceeds from capital lease | <u>-</u> | <u>-</u> | <u>337,308</u> | <u>337,308</u> |
| Total other financing sources (uses) | <u>304,664</u> | <u>(131,960)</u> | <u>586,559</u> | <u>718,519</u> |
| Net change in fund balance | (1,019,687) | (2,058,339) | 1,639,559 | 3,697,898 |
| Fund balance, July 1, 2016 | <u>11,257,419</u> | <u>11,257,419</u> | <u>11,257,419</u> | <u>-</u> |
| Fund balance, June 30, 2017 | <u>\$ 10,237,732</u> | <u>\$ 9,199,080</u> | <u>\$ 12,896,978</u> | <u>\$ 3,697,898</u> |

DAVIS JOINT UNIFIED SCHOOL DISTRICT
CHARTER SCHOOLS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

| | Budget | | | Variance |
|--|-------------------|-------------------|-------------------|----------------------------|
| | Original | Final | Actual | Favorable (Unfavorable) |
| Revenues: | | | | |
| Local Control Funding Formula (CLIFF): | | | | |
| State apportionment | \$ 2,715,152 | \$ 2,630,212 | \$ 2,634,688 | \$ 4,476 |
| Local sources | <u>1,825,500</u> | <u>1,965,608</u> | <u>1,958,009</u> | <u>(7,599)</u> |
| Total CLIFF | <u>4,540,652</u> | <u>4,595,820</u> | <u>4,592,697</u> | <u>(3,123)</u> |
| Other state sources | 344,177 | 437,472 | 476,662 | 39,190 |
| Other local sources | <u>9,792</u> | <u>52,997</u> | <u>69,546</u> | <u>16,549</u> |
| Total revenues | <u>4,894,621</u> | <u>5,086,289</u> | <u>5,138,905</u> | <u>52,616</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 1,954,172 | 1,931,771 | 1,961,005 | (29,234) |
| Classified salaries | 263,041 | 285,941 | 287,658 | (1,717) |
| Employee benefits | 618,009 | 613,162 | 672,644 | (59,482) |
| Books and supplies | 229,996 | 192,951 | 187,054 | 5,897 |
| Contract services and operating expenditures | 1,627,333 | 1,777,823 | 1,766,426 | 11,397 |
| Capital outlay | 144,619 | 134,755 | - | 134,755 |
| Debt service: | | | | |
| Principal retirement | 16,324 | 17,108 | 17,108 | - |
| Interest | <u>1,607</u> | <u>822</u> | <u>822</u> | <u>-</u> |
| Total expenditures | <u>4,855,101</u> | <u>4,954,333</u> | <u>4,892,717</u> | <u>61,616</u> |
| Excess of revenues over expenditures | <u>39,520</u> | <u>131,956</u> | <u>246,188</u> | <u>114,232</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(293,832)</u> | <u>(226,225)</u> | <u>(225,205)</u> | <u>1,020</u> |
| Net change in fund balance | (254,312) | (94,269) | 20,983 | 115,252 |
| Fund balance, July 1, 2016 | <u>713,642</u> | <u>713,642</u> | <u>713,642</u> | <u>-</u> |
| Fund balance, June 30, 2017 | <u>\$ 459,330</u> | <u>\$ 619,373</u> | <u>\$ 734,625</u> | <u>\$ 115,252</u> |

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

| Actuarial Valuation <u>Date</u> | Actuarial Value of <u>Assets</u> | Actuarial Accrued Liability <u>(AL)</u> | Unfounded Actuarial Accrued Liability <u>(AL)</u> | Funded <u>Ratio</u> | Covered <u>Payroll</u> | AL as a Percentage of Covered <u>Payroll</u> |
|---------------------------------------|--|--|---|------------------------|---------------------------|--|
| May 1, 2009 | \$ - | \$ 12,270,000 | \$ 12,270,000 | 0% | \$ 46,500,000 | 26% |
| September 1, 2012 | \$ - | \$ 12,400,000 | \$ 12,400,000 | 0% | \$ 48,400,000 | 26% |
| September 1, 2014 | \$ - | \$ 13,653,000 | \$ 13,653,000 | 0% | \$ 51,000,000 | 27% |
| September 1, 2016 | \$ - | \$ 14,925,000 | \$ 14,925,000 | 0% | \$ 46,300,000 | 32% |

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

| State Teachers' Retirement Plan Last 10 Fiscal Years | | | |
|---|----------------------|----------------------|-----------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| District's proportion of the net pension liability | 0.084% | 0.083% | 0.080% |
| District's proportionate share of the net pension liability | \$ 48,887,000 | \$ 55,700,000 | \$ 64,757,000 |
| State's proportionate share of the net pension liability associated with the District | <u>29,520,000</u> | <u>29,459,000</u> | <u>36,868,000</u> |
| Total net pension liability | <u>\$ 78,407,000</u> | <u>\$ 85,159,000</u> | <u>\$ 101,625,000</u> |
| District's covered payroll | \$ 37,261,000 | \$ 38,401,000 | \$ 39,902,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 131.20% | 145.05% | 162.29% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | 74.02% | 70.04% |

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.129% | 0.135% | 0.133% |
| District's proportionate share of the net pension liability | \$ 14,657,000 | \$ 19,902,000 | \$ 26,239,000 |
| District's covered payroll | \$ 13,553,000 | \$ 14,949,000 | \$ 15,939,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 108.15% | 133.13% | 164.62% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | 79.43% | 73.89% |

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

All years prior to 2015 are not available.

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

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 3,409,992 | \$ 4,281,476 | \$ 5,196,394 |
| Contributions in relation to the contractually required contribution | <u>3,409,992</u> | <u>4,281,476</u> | <u>5,196,394</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 38,401,000 | \$ 39,902,000 | \$ 41,307,000 |
| Contributions as a percentage of covered payroll | 8.88% | 10.73% | 12.58% |

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,759,547 | \$ 1,888,245 | \$ 2,331,676 |
| Contributions in relation to the contractually required contribution | <u>1,759,547</u> | <u>1,888,245</u> | <u>2,331,676</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 14,948,000 | \$ 15,939,000 | \$ 16,789,000 |
| Contributions as a percentage of covered payroll | 11.77% | 11.85% | 13.89% |

All years prior to 2015 are not available.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditures over appropriations for the year ended June 30, 2017 were as follows:

| <u>Fund</u> | <u>Excess Expenditures</u> |
|-----------------------|--------------------------------|
| General Fund: | |
| Certificated salaries | \$ 15,414 |
| Classified salaries | \$ 5,681 |
| Employee benefits | \$ 1,078,202 |
| Charter Schools Fund: | |
| Certificated salaries | \$ 29,234 |
| Classified salaries | \$ 1,717 |
| Employee benefits | \$ 59,482 |

These excesses are not in accordance with Education Code 42600.

B - Schedule of Other Misemployment Benefits Funding Progress

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

AC - Schedule of the District'S Proportionate Share of the Net Pension Liability

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

FA - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in the June 30, 2014, 2015 and 2016 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2017

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | Special Reserve Fund | Bond Interest and Redemption Fund | Total |
|--|----------------------------|------------------------------|-------------------|-------------------------------|----------------------------|--|---------------------|
| ASSETS | | | | | | | |
| Cash and investments: | | | | | | | |
| Cash in County Treasury | \$ 203,059 | \$ 4,669 | \$ 12,129 | \$ 659,397 | \$ 1,095,781 | \$ 2,806,465 | \$ 4,781,500 |
| Cash awaiting deposit | 400 | - | 1,380 | - | - | - | 1,780 |
| Cash on hand and in banks | - | - | 3,701 | - | - | - | 3,701 |
| Cash in revolving fund | 1,000 | - | - | - | - | - | 1,000 |
| Receivables | 47,311 | 3,263 | 331,129 | 1,902 | - | - | 383,605 |
| Due from other funds | 10 | 34,882 | 135 | 198,714 | - | - | 233,741 |
| Stores inventory | - | - | 36,825 | - | - | - | 36,825 |
| | <u>-</u> | <u>-</u> | <u>36,825</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36,825</u> |
| Total assets | <u>\$ 251,780</u> | <u>\$ 42,814</u> | <u>\$ 385,299</u> | <u>\$ 860,013</u> | <u>\$ 1,095,781</u> | <u>\$ 2,806,465</u> | <u>\$ 5,442,152</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 15,315 | \$ 1,481 | \$ 25,542 | \$ - | \$ 619,078 | \$ - | \$ 661,416 |
| Due to other funds | 24,437 | 25,482 | 216,685 | 14,000 | - | - | 280,604 |
| Unearned revenue | - | - | 1,838 | - | - | - | 1,838 |
| | <u>-</u> | <u>-</u> | <u>1,838</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,838</u> |
| Total liabilities | <u>39,752</u> | <u>26,963</u> | <u>244,065</u> | <u>14,000</u> | <u>619,078</u> | <u>-</u> | <u>943,858</u> |
| Fund balances: | | | | | | | |
| Nonspendable | 1,000 | - | 36,825 | - | - | - | 37,825 |
| Restricted | 211,028 | 15,851 | 104,409 | 846,013 | 476,703 | 2,806,465 | 4,460,469 |
| | <u>212,028</u> | <u>15,851</u> | <u>141,234</u> | <u>846,013</u> | <u>476,703</u> | <u>2,806,465</u> | <u>4,498,294</u> |
| Total fund balances | <u>212,028</u> | <u>15,851</u> | <u>141,234</u> | <u>846,013</u> | <u>476,703</u> | <u>2,806,465</u> | <u>4,498,294</u> |
| Total liabilities and fund balances | <u>\$ 251,780</u> | <u>\$ 42,814</u> | <u>\$ 385,299</u> | <u>\$ 860,013</u> | <u>\$ 1,095,781</u> | <u>\$ 2,806,465</u> | <u>\$ 5,442,152</u> |

DAVIS JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2017

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | Special Reserve Fund | Bond Interest and Redemption Fund | Total |
|--|----------------------------|------------------------------|-------------------|-------------------------------|----------------------------|--|---------------------|
| Federal sources | \$ - | \$ - | \$ 788,629 | \$ - | \$ - | \$ - | \$ 788,629 |
| Other state sources | 394,152 | 258,193 | 56,265 | - | - | 12,985 | 721,595 |
| Other local sources | <u>246,025</u> | <u>151,461</u> | <u>1,166,117</u> | <u>746,341</u> | <u>20,081</u> | <u>1,852,169</u> | <u>4,182,194</u> |
| Total revenues | <u>640,177</u> | <u>409,654</u> | <u>2,011,011</u> | <u>746,341</u> | <u>20,081</u> | <u>1,865,154</u> | <u>5,692,418</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Certificated salaries | 272,829 | 207,915 | - | - | - | - | 480,744 |
| Classified salaries | 66,909 | 79,104 | 1,007,750 | - | - | - | 1,153,763 |
| Employee benefits | 86,151 | 101,170 | 271,505 | - | - | - | 458,826 |
| Books and supplies | 55,620 | 6,819 | 780,278 | 1,425 | 9,795 | - | 853,937 |
| Contract services and operating expenditures | 46,345 | 26,252 | (53,191) | 17,971 | 281,196 | - | 318,573 |
| Capital outlay | - | - | - | 180,943 | 4,370,943 | - | 4,551,886 |
| Debt service: | | | | | | | |
| Principal retirement | - | - | 16,362 | 238,862 | - | 1,070,000 | 1,325,224 |
| Interest | <u>-</u> | <u>-</u> | <u>653</u> | <u>9,996</u> | <u>-</u> | <u>565,044</u> | <u>575,693</u> |
| Total expenditures | <u>527,854</u> | <u>421,260</u> | <u>2,023,357</u> | <u>449,197</u> | <u>4,661,934</u> | <u>1,635,044</u> | <u>9,718,646</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>112,323</u> | <u>(11,606)</u> | <u>(12,346)</u> | <u>297,144</u> | <u>(4,641,853)</u> | <u>230,110</u> | <u>(4,026,228)</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | 37,330 | 70,000 | - | - | - | 107,330 |
| Transfers out | <u>(24,429)</u> | <u>(25,474)</u> | <u>(98,709)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(148,612)</u> |
| Total other financing sources (uses) | <u>(24,429)</u> | <u>11,856</u> | <u>(28,709)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(41,282)</u> |
| Net change in fund balances | 87,894 | 250 | (41,055) | 297,144 | (4,641,853) | 230,110 | (4,067,510) |
| Fund balances, July 1, 2016 | <u>124,134</u> | <u>15,601</u> | <u>182,289</u> | <u>548,869</u> | <u>5,118,556</u> | <u>2,576,355</u> | <u>8,565,804</u> |
| Fund balances, June 30, 2017 | <u>\$ 212,028</u> | <u>\$ 15,851</u> | <u>\$ 141,234</u> | <u>\$ 846,013</u> | <u>\$ 476,703</u> | <u>\$ 2,806,465</u> | <u>\$ 4,498,294</u> |

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

| | Balance July 1, <u>2016</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2017</u> |
|--|-----------------------------------|-------------------|-------------------|------------------------------------|
| <u>Student Body</u> | | | | |
| <u>Davis High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>161,203</u> | \$ <u>231,499</u> | \$ <u>275,353</u> | \$ <u>117,349</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>161,203</u> | \$ <u>231,499</u> | \$ <u>275,353</u> | \$ <u>117,349</u> |
| <u>DaVinci High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>5,166</u> | \$ <u>3,450</u> | \$ <u>4,918</u> | \$ <u>3,698</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>5,166</u> | \$ <u>3,450</u> | \$ <u>4,918</u> | \$ <u>3,698</u> |
| <u>Emerson Middle School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>13,438</u> | \$ <u>9,327</u> | \$ <u>10,342</u> | \$ <u>12,423</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>13,438</u> | \$ <u>9,327</u> | \$ <u>10,342</u> | \$ <u>12,423</u> |
| <u>Harper Middle School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>20,500</u> | \$ <u>55,029</u> | \$ <u>59,150</u> | \$ <u>16,379</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>20,500</u> | \$ <u>55,029</u> | \$ <u>59,150</u> | \$ <u>16,379</u> |
| <u>Holmes Middle School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>21,913</u> | \$ <u>46,543</u> | \$ <u>45,212</u> | \$ <u>23,244</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>21,913</u> | \$ <u>46,543</u> | \$ <u>45,212</u> | \$ <u>23,244</u> |
| <u>Total Student Body Funds</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>222,220</u> | \$ <u>345,848</u> | \$ <u>394,975</u> | \$ <u>173,093</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>222,220</u> | \$ <u>345,848</u> | \$ <u>394,975</u> | \$ <u>173,093</u> |

DAVIS JOINT UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

Davis Joint Unified School District was established on July 1, 1962 and comprises an area located in Solano and Yolo Counties. There were no changes in the boundaries of the District during the current year. Davis Joint Unified School District covers an area of approximately 15 square miles. The District currently operates eight elementary, one kindergarten through third grade, three junior high, one high school, and one charter school. The District also maintains a continuation high school, an adult education school and an independent study program.

GOVERNING BOARDS

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|-----------------|----------------------|---------------------|
| Barbara Archer | President | December 2018 |
| Tom Adams | Vice President/Clerk | December 2018 |
| Madhavi Sunder | Trustee | December 2018 |
| Alan Fernandes | Trustee | December 2020 |
| Robert Poppenga | Trustee | December 2020 |

ADMINISTRATION

John A. Bowes, Ed.D.
Superintendent

Bruce Colby
Associate Superintendent, Business Services

Clark Bryant
Associate Superintendent, Instructional Services

Matthew Best
Associate Superintendent, Administrative Services

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

| | Second Period <u>Report</u> | Audited Revised Second Period <u>Report</u> | Annual <u>Report</u> |
|---|-----------------------------------|---|-------------------------|
| DISTRICT | | | |
| Certificate Numbers | 45209EF2 | 3EB22CFE | E4937392 |
| Elementary: | | | |
| Transitional Kindergarten through Third | 2,326 | 2,326 | 2,332 |
| Fourth through Sixth | 1,800 | 1,800 | 1,797 |
| Seventh and Eighth | 1,196 | 1,196 | 1,195 |
| Special Education | <u>12</u> | <u>12</u> | <u>11</u> |
| Subtotal elementary | <u>5,334</u> | <u>5,334</u> | <u>5,335</u> |
| Secondary: | | | |
| Ninth through Twelfth | 2,281 | 2,282 | 2,271 |
| Continuation Education | 48 | 48 | 48 |
| Special Education | <u>7</u> | <u>7</u> | <u>8</u> |
| Subtotal secondary | <u>2,336</u> | <u>2,337</u> | <u>2,327</u> |
| District totals | <u><u>7,670</u></u> | <u><u>7,671</u></u> | <u><u>7,662</u></u> |
| CHARTER SCHOOLS | | | |
| Certificate Numbers | C7A23A0C | | A9B840BD |
| <u>Classroom-based Charter</u> | | | |
| Elementary: | | | |
| Seventh through Eighth | 183 | | 182 |
| Secondary: | | | |
| Ninth through Twelfth | <u>373</u> | | <u>371</u> |
| Total | <u><u>556</u></u> | | <u><u>553</u></u> |

See accompanying notes to supplementary information.

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

| <u>Grade Level</u> | <u>Minutes Require- ment</u> | <u>2016-17 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|---------------------------------------|--------------------------------------|---------------------------------------|--|-------------------|
| Kindergarten | 36,000 | 36,000 | 180 | In Compliance |
| Grade 1 | 50,400 | 50,525 | 180 | In Compliance |
| Grade 2 | 50,400 | 50,525 | 180 | In Compliance |
| Grade 3 | 50,400 | 50,525 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,575 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,575 | 180 | In Compliance |
| Grade 6 | 54,000 | 54,575 | 180 | In Compliance |
| Grade 7 | 54,000 | 66,090 | 180 | In Compliance |
| Grade 8 | 54,000 | 66,090 | 180 | In Compliance |
| Grade 9 | 64,800 | 64,159 | 180 | Out of Compliance |
| Grade 10 | 64,800 | 67,368 | 180 | In Compliance |
| Grade 11 | 64,800 | 67,368 | 180 | In Compliance |
| Grade 12 | 64,800 | 67,368 | 180 | In Compliance |
| <u>Classroom-based Charter School</u> | | | | |
| Grade 7 | 54,000 | 65,925 | 180 | In Compliance |
| Grade 8 | 54,000 | 65,925 | 180 | In Compliance |
| Grade 9 | 64,800 | 65,925 | 180 | In Compliance |
| Grade 10 | 64,800 | 66,291 | 180 | In Compliance |
| Grade 11 | 64,800 | 66,291 | 180 | In Compliance |
| Grade 12 | 64,800 | 66,291 | 180 | In Compliance |

See accompanying notes to supplementary information.

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

| <u>Federal Catalog Number</u> | <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Pass- Through Entity Identifying Number</u> | <u>Federal Expend- itures</u> |
|--|---|--|---------------------------------------|
| <u>U.S. Department of Education - Passed through California Department of Education</u> | | | |
| | Special Education Cluster: | | |
| 84.027 | Special Education: IDEA Basic Local Assistance, Part B, Section 611 | 13379 | \$ 1,329,242 |
| 84.027A | Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 | 13682 | 23,809 |
| 84.173 | Special Education: IDEA Preschool Grants, Part B, Section 619 | 13430 | 86,069 |
| 84.027A | Special Education: IDEA Mental Health ADA | 15197 | 97,260 |
| 84.027 | Special Education: IDEA Local Assistance, Part B, Section 611, Private School ISPs | 10115 | <u>16,535</u> |
| | Subtotal Special Education Cluster | | <u>1,552,915</u> |
| | NCLB: Title III Programs: | | |
| 84.365 | NCLB: Title III Limited English Proficient (LEP) Student Program | 14346 | 99,393 |
| 84.365 | NCLB: Title III, Immigrant Education Program | 15146 | <u>55,468</u> |
| | Subtotal NCLB: Title III Programs | | <u>154,861</u> |
| 84.010 | NCLB: Title I, Part A, Basic Grants Low-Income and Neglected | 14329 | 544,901 |
| 84.367 | NCLB: Title II, Part A, Improving Teacher Quality Local Grants | 14341 | 203,019 |
| 84.048 | Carl D. Perkins Career and Technical Education: Secondary, Section 131 | 14894 | <u>36,166</u> |
| | Total U.S. Department of Education | | <u>2,491,862</u> |
| <u>U.S. Department of Agriculture - Passed through California Department of Education:</u> | | | |
| 10.555 | Child Nutrition: School Programs - Child Nutrition Cluster | 13524 | 778,227 |
| 10.574 | Child Nutrition: Team Nutrition Grant 2015 | 15332 | <u>10,402</u> |
| | Total U.S. Department of Agriculture | | <u>788,629</u> |
| | Total Federal Programs | | <u>\$ 3,280,491</u> |

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

See accompanying notes to supplementary information.

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

| | (Budgeted) <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------------|----------------------|----------------------|-----------------------|
| <u>General Fund</u> | | | | |
| Revenues and other financing sources | \$ 84,573,032 | \$ 89,452,107 | \$ 86,949,626 | \$ 76,953,246 |
| Expenditures | 85,346,214 | 87,687,982 | 83,232,673 | 78,862,888 |
| Other uses and transfers out | <u>156,136</u> | <u>124,566</u> | <u>202,748</u> | <u>327,860</u> |
| Total outgo | <u>85,502,350</u> | <u>87,812,548</u> | <u>83,435,421</u> | <u>79,190,748</u> |
| Changes in fund balance | <u>\$ (929,318)</u> | <u>\$ 1,639,559</u> | <u>\$ 3,514,205</u> | <u>\$ (2,237,502)</u> |
| Ending fund balance | <u>\$ 11,967,660</u> | <u>\$ 12,896,978</u> | <u>\$ 11,257,419</u> | <u>\$ 7,743,214</u> |
| Available reserves | <u>\$ 7,455,670</u> | <u>\$ 7,687,738</u> | <u>\$ 6,638,116</u> | <u>\$ 2,365,377</u> |
| Designated for economic uncertainties | <u>\$ 6,811,611</u> | <u>\$ 6,995,099</u> | <u>\$ 6,638,116</u> | <u>\$ 2,365,377</u> |
| Undesignated fund balance | <u>\$ 644,059</u> | <u>\$ 692,639</u> | <u>\$ -</u> | <u>\$ -</u> |
| Available reserves as percentages of total outgo | <u>8.7%</u> | <u>8.8%</u> | <u>8.0%</u> | <u>3.0%</u> |
| <u>All Funds</u> | | | | |
| Total long-term liabilities | <u>\$171,471,674</u> | <u>\$178,229,307</u> | <u>\$167,296,583</u> | <u>\$175,910,661</u> |
| Average daily attendance at P-2, excluding Charter | <u>7,695</u> | <u>7,671</u> | <u>7,654</u> | <u>7,698</u> |

The General Fund fund balance has increased by \$2,916,262 over the past three years. The fiscal year 2017-2018 budget projects a decrease of \$929,318. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred an operating surplus for two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2017-2018.

Total long-term liabilities have increased by \$2,318,646 over the past two years.

Average daily attendance has decreased by 27 over the past two years. The District anticipates a increase of 24 ADA for fiscal year 2017-2018.

See accompanying notes to supplementary information.

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

Charter Schools Chartered by District

#1079 Da Vinci Junior High and High School Academy

Included in District
Financial Statements, or
Separate Report

Included in the District's Financial
Statements as the Charter Schools
Fund

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of [District], and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2017-2018 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2017, the District did not adopt such a program.

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

Board of Education
Davis Joint Unified School District
Davis, California

Report on Compliance with State Laws and Regulations

We have audited Davis Joint Unified School District's compliance with the types of compliance requirements described in the State of California's 2016-17 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2017.

| <u>Description</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | No, see below |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | No, see below |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | No, see below |
| Middle or Early College High Schools | No, see below |
| K3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | No, see below |
| Mental Health Related Services | Yes |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After School Education and Safety Program: | |
| General requirements | No, see below |
| After school | No, see below |
| Before school | No, see below |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study – Course Based | No, see below |
| Immunizations | No, see below |
| Attendance, for charter schools | Yes |
| Mode of Instruction, for charter schools | Yes |
| Nonclassroom-Based Instruction/Independent Study, for charter schools | No, see below |
| Determination of Funding for Nonclassroom-Based Instruction, for charter schools | No, see below |
| Annual Instructional Minutes Classroom-Based, for charter schools | Yes |
| Charter School Facility Grant Program | No, see below |

(Continued)

The District's reported ADA for Continuation Education was below the materiality level that requires testing; therefore, we did not perform any testing of Continuation Education ADA.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District is not a County Office; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not operate a transportation program, therefore, we did not perform any procedures related to Transportation Maintenance of Effort.

The District did not receive any funds from the After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

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

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

The District's reported ADA for Nonclassroom-Based Instruction/Independent Study for charter schools was below the materiality level that requires testing; therefore, we did not perform any testing of Nonclassroom-Based Instruction/Independent Study and Determination of Funding for Nonclassroom-Based Instruction, for charter schools.

The District did not expend any Charter School Facilities Grant Program funds in the current year, therefore, we did not perform any procedures related to the Charter School Facilities Grant Program funds.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Davis Joint Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Davis Joint Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Davis 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 with state laws and regulations. However, our audit does not provide a legal determination of Davis Joint Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2017-002 and 2017-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Davis Joint Unified School District did not comply with requirements regarding Kindergarten Continuance and Instructional Time. Compliance with such requirements is necessary, in our opinion, for Davis Joint Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Kindergarten Continuance and Instructional Time.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Davis Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

Other Matter

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2017

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

Board of Education
Davis Joint Unified School District
Davis, 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 Davis 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 Davis Joint Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Davis 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 Davis Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Davis 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Davis Joint Unified School District Response to Finding

Davis Joint Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Davis 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2017

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

Board of Education
Davis Joint Unified School District
Davis, California

Report on Compliance for the Major Federal Program

We have audited Davis 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 Davis Joint Unified School District's major federal program for the year ended June 30, 2017. Davis Joint Unified School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Davis 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 Davis 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 Davis Joint Unified School District's compliance.

Opinion on the Major Federal Program

In our opinion, Davis 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 its major federal program for the year ended June 30, 2017.

(Continued)

Report on Internal Control Over Compliance

Management of Davis 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 Davis Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Davis Joint Unified School District's internal control over compliance.

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

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

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


Crowe Horwath LLP

Sacramento, California
December 12, 2017

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------|---|
| 84.027, 84.027A, and 84.173 | Special Education Cluster |

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

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

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

(Continued)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organization Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

Emerson Junior High School:

- There was no evidence of who turns money into the office from revenue producing activities.
- The tally sheet cash count form, detailing the number of items sold and amount per item, did not agree to the total amount of cash receipts.
- Fundraiser request forms were not properly retained as they were unable to locate the form for the selected fundraiser.

Davis Senior High:

- The Principal's review over the bank reconciliation was performed in an untimely manner.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures surrounding ASB accounts have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation.

Views of Responsible Officials and Planned Corrective Actions

The District will work with site staff to ensure proper controls and procedures are being followed.

(Continued)

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-002 - STATE COMPLIANCE – KINDERGARTEN CONTINUANCE (40000)

Criteria

Education Code 48011 requires a child who has completed a year of kindergarten to be promoted to first grade, unless the parent or guardian and the District agree that the child may continue in kindergarten not more than one additional year. A parent or guardian who agrees their child is to continue in kindergarten must sign a Kindergarten Continuance form prior to the beginning of the school year.

Condition

One student's Kindergarten Continuance form did not have an anniversary date documented and the parent/guardian did not sign the form near the one-year anniversary date verifying they agreed to have their child continue in kindergarten for one additional year.

Effect

The effect of this finding is an overstatement of .64 ADA.

Cause

The error was due to District personnel not reviewing the form to ensure it was complete and properly filled out.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure Kindergarten Continuance Forms are properly completed.

Views of Responsible Officials and Planned Corrective Actions

District staff sent a communication to elementary sites with procedures on how to complete the form. In the future, once forms are completed, sites will audit the form before sending to the District office. District office staff will then complete a second review of the form.

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-003 - STATE COMPLIANCE – INSTRUCTIONAL TIME (40000)

Criteria

EC Section 46207 requires that beginning in 2015–16 all school districts once funded at their LCFF target must offer at least the following number of instructional minutes by grade span:

Kindergarten, 36,000 minutes
Grades 1 to 3, inclusive, 50,400 minutes
Grades 4 to 8, inclusive, 54,000 minutes
Grades 9 to 12, inclusive, 64,800 minutes

Condition

At Holmes Junior High School and Harper Junior High School, Grade 9 offered fewer minutes than required for this grade level.

| <u>School Site</u> | <u>Grade Level</u> | <u>Minutes Requirement</u> | <u>2016-17 Actual Minutes</u> | <u>Minutes Out of Compliance</u> | <u>Percentage Error</u> | <u>ADA 9th Grade By Site</u> | <u>Penalty</u> |
|--------------------|--------------------|----------------------------|-------------------------------|----------------------------------|-------------------------|------------------------------|----------------|
| Holmes Jr. High | 9 | 64,800 | 64,436 | 364 | 0.56% | 220.05 | \$10,126 |
| Harper Jr. High | 9 | 64,800 | 64,159 | 641 | 0.99% | 190.55 | \$15,501 |

Effect

Instructional time penalty for 9-12 grade span of approximately \$25,500.

Cause

Instructional minutes were incorrectly computed.

Fiscal Impact

Not determinable.

Recommendation

The District review the instructional minutes calculation for each site and grade level to ensure they are in compliance with requirements.

Views of Responsible Officials and Planned Corrective Actions

The Director of Fiscal Services will meet with site staff to ensure that the District are in compliance with Instructional Minutes. In addition, any future or revised schedule changes will go through the sites direct supervisors for first approval. The sites direct supervisors include Director of Secondary Education, Director of Elementary Education, or Director of English Learners respectively. A second approval needs to be from the Director of Fiscal Services before the instructional minutes plan revision is implemented.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

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

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>District Explanation If Not Implemented</u> |
|--|------------------------|--|
| 2016-001 | Partially implemented. | See current year finding 2017-001. |
| <u>Condition:</u> | | |
| Da Vinci Senior High: | | |
| <ul style="list-style-type: none">• Total receipts were not supported by detailed schedules defining the number of items receipted and the unit price per item included in the receipt. Although a donation based fundraiser, there should be some indication that all funds donated were deposited. | | |
| Holmes Junior High: | | |
| <ul style="list-style-type: none">• Cash receipts were not turned into the Associated Student Body (ASB) bookkeeper in a timely manner.• Encumbrance reports (summary of monthly financial transactions by club) are not reviewed on a monthly basis.• Although approved by the ASB bookkeeper, one expenditure was for an unallowable activity. | | |
| <u>Recommendation:</u> School sites should implement and consistently apply proper control procedures in order to protect ASB funds from misappropriation. | | |