DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

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DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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Crowe LLP
Independent Member Crowe Global

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, 2018, 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, 2018, 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)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions." The implementation of Statement No. 75 resulted in a restatement of the beginning net position of $(5,404,155). Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 through 9 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 51 to 56 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 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 LLP

Crowe LLP

Sacramento, California
December 14, 2018

Dr. John Bowes
Superintendent

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, 2018, the District employed on a regular basis 616 certificated employees and 573 classified employees.

Student enrollment for grades K-12 increased over 2016-2017. For the 2017-2018 school year, the District's October enrollment was 8,630. This was an increase of 45 students from the October enrollment in 2016.

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 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 2017-2018 year shows the District's net position as $(41,497,533). 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, 2017	**June 30, 2018**
Assets	$143,795,824	$136,784,902
Deferred outflows of resources	$18,676,514	$31,419,562
Liabilities	$188,647,387	$202,214,997
Deferred inflows of resources	$4,790,000	$7,487,000
Ending Net Position	**$(30,965,049)**	**$(41,497,533)**

Capital Assets

The net Capital Assets as of June 30, 2018 are $98,788,644. This represents an increase of $2,524,039 over the prior year. This increase is from new building projects.

Long-Term Debt

The Long-Term Debt as of June 30, 2018 is $189,613,664. This represents an increase of $11,384,357 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
CFD No. 2 2012 Special Tax Refunding Bond s	S&P	A	A
CFD No. 2 2015 Special Tax Refunding Bonds	S&P	A	A
2010 General Obligation Refunding Bonds	S&P	AA-	AA-
2011 General Obligation Refunding Bonds	S&P	AA-	AA-
2005 Certificate of Participation	S&P	A+	A+
2014 Certificate of Participation	S&P	A+	A+

Statement of Activities

The *Statement of Activities* for the 2017-2018 audit show the District's change in net position of ($5,128,329) for Governmental Activities. The District has an increase in expenditures compared to prior year due to a capital project that was planned over multiple, increase in pension liability, and a 3.5% increase to the Salary Schedule for all employees, with a 1% one-time payout off the salary schedule for classified staff. 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, 2017	**June 30, 2018**
Program Revenues	$15,891,507	$17,558,758
General Revenues	$92,706,176	$93,797,138
Expenses	$107,943,729	$116,484,225
Change in Net Position	**$653,954**	**($5,128,329)**

Financial Condition of the General Fund

The ending balance for the Davis Joint Unified School District decreased in 2017-2018 due increase one-time expenditures for the ELA adoption as well as 1% one-time off the salary schedule payout to our classified staff. The following tables summarize fund balance changes and operational fund financial statements:

Summary of Financial Operations		
	June 30, 2017	June 30, 2018
Revenues	$89,452,108	$90,853,502
Expenditures	$87,812,549	$95,430,521
Difference	**$ 1,639,559**	**($ 4,577,019)**

Change in Fund Balance	
Fund Balance June 30, 2017	$12,896,978
Fund Balance June 30, 2018	$ 8,319,959
Change	**($ 4,577,019)**

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.

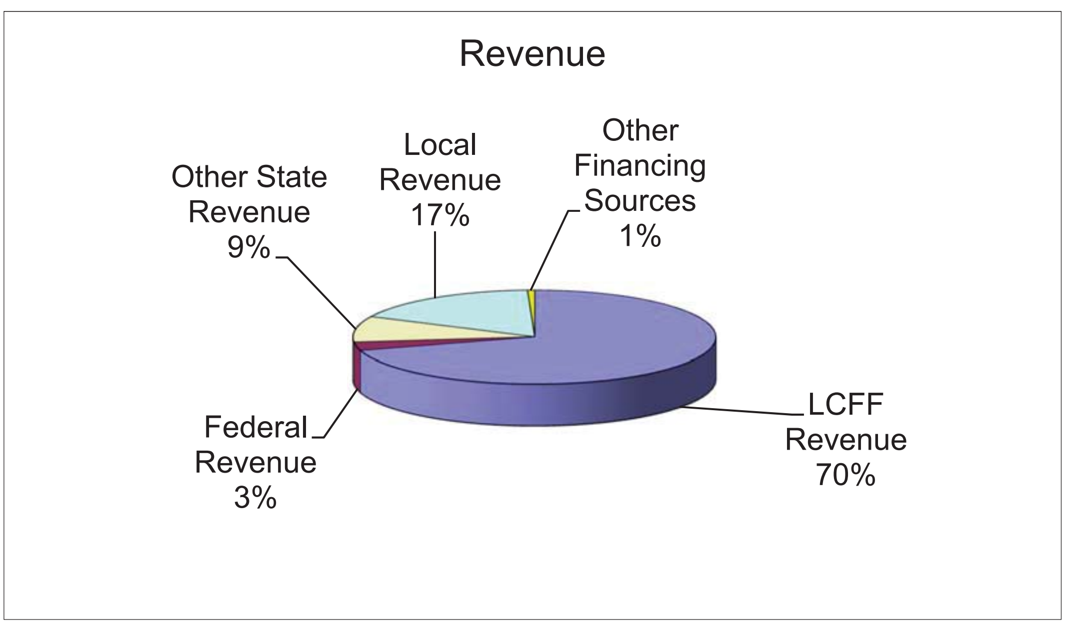
The second largest source of revenue is Local Revenue income that comes from various entities. Our largest component of this revenue stream is Parcel Tax, which is voter approved funding for specific programs and staffing.

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.

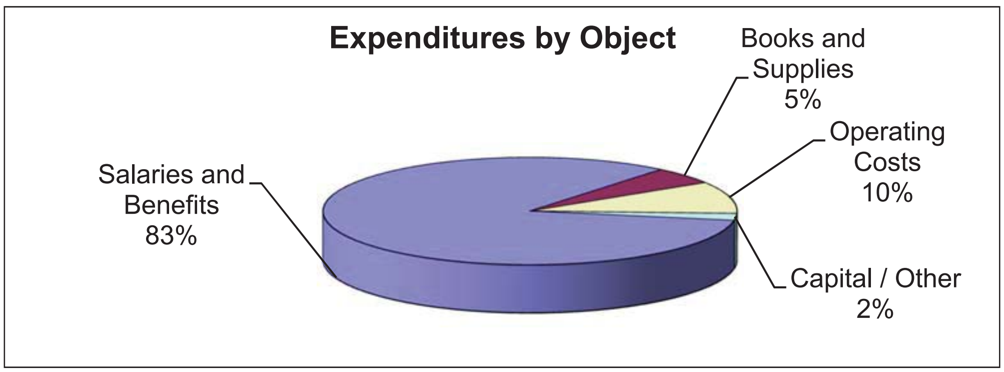
Sources Available	
LCFF Revenue	$ 63,874,941
Federal Revenue	2,626,210
Other State Revenue	8,103,554
Local Revenue	15,661,204
Other Financing Sources	587,593
Total Revenue	**$ 90,853,502**
Beginning Fund Balance	12,896,978
Total General Fund Sources	**$103,750,480**

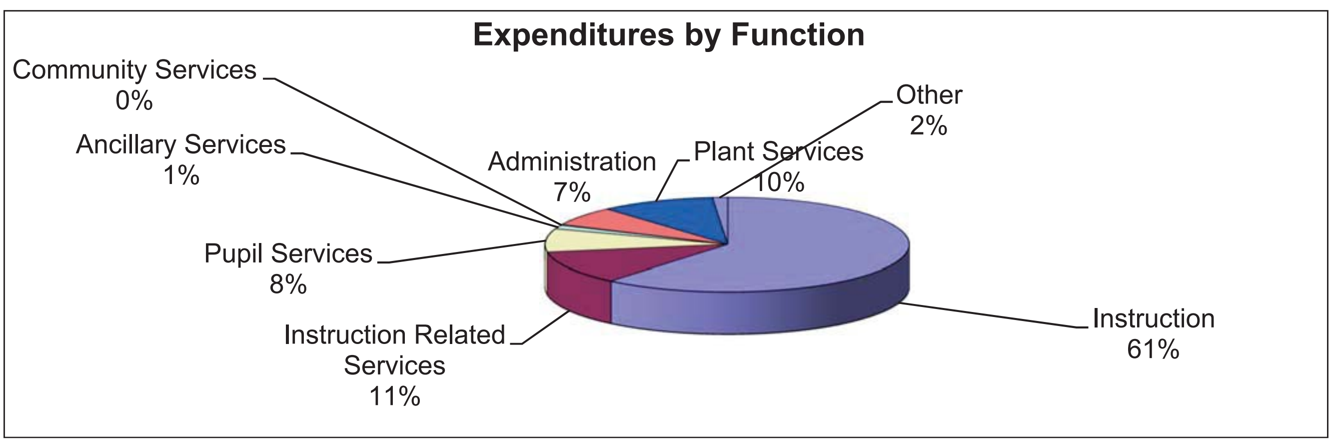


General Fund Expenditures

Employee salary and benefit costs consume 83% of the District's general fund expenditures. Over 61% of the District's expenditures go directly to the classroom for instructional program costs.

General Fund Expenditures	
Salaries and Benefits	$79,333,442
Books and Supplies	4,935,857
Operating Costs	9,174,860
Capital/Other	1,986,362
Total Expenditures	**$95,430,521**





General Fund Budget versus Actuals

General Fund Budget vs. Actual			
	Actuals	Budget	Variance
Revenues	$90,853,502	$90,077,696	$775,806
Expenditures	$95,430,521	$96,492,479	($1,061,956)
Difference	**($4,577,019)**	**($6,414,783)**	**$1,837,764**

The District's net increase in General Fund Balance was favorable to the Estimated Actuals by $1,837,764. Revenue was favorable mainly due to Locally Restricted Revenue (Local Donations) and State Unrestricted Classified Teacher Grant received late in May. Expenditures were favorable in Unrestricted Books and Supplies due to unspent funds at school sites and maintenance department.

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, 2018

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 35,926,121
Receivables	2,034,418
Stores inventory	35,719
Non-depreciable capital assets (Note 4)	10,069,099
Depreciable capital assets, net of accumulated depreciation (Note 4)	88,719,545
Total assets	136,784,902
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 7 and 8)	31,333,905
Deferred loss from refunding of debt	85,657
Total deferred outflows of resources	31,419,562
LIABILITIES	
Accounts payable	12,030,605
Unearned revenue	570,728
Long-term liabilities (Note 5):	
Due within one year	6,640,247
Due after one year	182,973,417
Total liabilities	202,214,997
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	7,487,000
NET POSITION	
Net investment in capital assets	35,818,746
Restricted:	
Legally restricted programs	3,146,420
Capital projects	746,136
Debt service	2,919,101
Self-insurance	275,351
Unrestricted	(84,403,287)
Total net position	$ (41,497,533)

See accompanying notes to financial statements.

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 69,576,597	$ 117,662	$ 10,256,016	$ -	$ (59,202,919)
Instruction-related services:					
Supervision of instruction	3,680,038	49,436	1,074,408	-	(2,556,194)
Instructional library, media and technology	2,064,266	2,921	93,261	-	(1,968,084)
School site administration	6,727,911	10,890	709,170	-	(6,007,851)
Pupil services:					
Home-to-school transportation	528,421	1,475	110,743	-	(416,203)
Food services	2,764,329	1,395,745	909,874	-	(458,710)
All other pupil services	8,754,387	3,627	1,046,307	-	(7,704,453)
General administration:					
Data processing	1,690,955	-	10,362	-	(1,680,593)
All other general administration	5,729,358	76,422	464,990	-	(5,187,946)
Plant services	10,706,492	1,192	536,871	-	(10,168,429)
Ancillary services	1,287,399	37,703	517,882	-	(731,814)
Community services	190,192	33	431	-	(189,728)
Enterprise activities	27,582	-	-	-	(27,582)
Interest on long-term liabilities	2,387,534	-	-	-	(2,387,534)
Other outgo	368,764	2,994	128,343	-	(237,427)
Total governmental activities	$ 116,484,225	$ 1,700,100	$ 15,858,658	$ -	$ (98,925,467)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	34,831,748
Taxes levied for debt service	10,426,238
Taxes levied for other specific purposes	10,308,326
Federal and state aid not restricted to specific purposes	37,231,022
Interest and investment earnings	287,613
Miscellaneous	712,191
Total general revenues	93,797,138
Change in net position	(5,128,329)
Net position, July 1, 2017	(30,965,049)
Cumulative effect of GASB 75 Implementation	(5,404,155)
Net position, July 1, 2017, as restated	(36,369,204)
Net position, June 30, 2018	$ (41,497,533)

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Debt Service Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	$ 18,226,954	$ 10,252,211	$ 4,223,967	$ 32,703,132
Cash awaiting deposit	-	-	1,780	1,780
Cash in revolving fund	47,500	-	3,000	50,500
Cash in LAIF	12,683	-	-	12,683
Cash with Fiscal Agent	4	2,773,021	110,665	2,883,690
Receivables	1,698,884	-	334,977	2,033,861
Due from other funds	208,186	-	600,502	808,688
Stores inventory	-	-	35,719	35,719
Total assets	$ 20,194,211	$ 13,025,232	$ 5,310,610	$ 38,530,053
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 10,778,493	$ -	$ 540,270	$ 11,318,763
Due to other funds	529,769	-	279,377	809,146
Unearned revenue	565,990	-	4,738	570,728
Total liabilities	11,874,252	-	824,385	12,698,637
Fund balances:				
Nonspendable	47,500	-	38,719	86,219
Restricted	2,325,432	13,025,232	4,447,506	19,798,170
Assigned	658,002	-	-	658,002
Unassigned	5,289,025	-	-	5,289,025
Total fund balances	8,319,959	13,025,232	4,486,225	25,831,416
Total liabilities and fund balances	$ 20,194,211	$ 13,025,232	$ 5,310,610	$ 38,530,053

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, 2018

Total fund balances - Governmental Funds		$ 25,831,416
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 $187,039,564 and the accumulated depreciation is $88,250,920 (Note 4).		98,788,644
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, 2018 consisted of (Note 5):		
Special Tax Bonds	$ (17,710,000)	
General Obligation Bonds	(12,490,000)	
Unamortized premiums	(2,442,965)	
Certificates of Participation	(32,863,124)	
Accreted interest	(4,313,184)	
Capitalized lease obligations	(322,487)	
Other postemployment benefits (Note 9)	(15,896,210)	
Net pension liability (Notes 7 and 8)	(103,144,000)	
Compensated absences	(431,694)	
		(189,613,664)
Losses on the refunding of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.		85,657
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	$ 31,333,905	
Deferred inflows of resources relating to pensions	(7,487,000)	
		23,846,905
Unmatured interest on long-term debt is recognized in the period incurred.		(711,842)
Internal service funds are included in the government-wide financial statements.		275,351
Total net position - governmental activities		$ (41,497,533)

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, 2018

	General Fund	Debt Service Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 31,169,929	$ -	$ 2,567,339	$ 33,737,268
Local sources	32,705,012	-	2,126,736	34,831,748
Total LCFF	63,874,941	-	4,694,075	68,569,016
Federal sources	2,625,710	-	835,893	3,461,603
Other state sources	8,104,054	-	1,236,214	9,340,268
Other local sources	15,661,204	8,813,826	4,762,267	29,237,297
Total revenues	90,265,909	8,813,826	11,528,449	110,608,184
Expenditures:				
Current:				
Certificated salaries	42,173,933	-	2,591,678	44,765,611
Classified salaries	17,780,668	-	1,907,564	19,688,232
Employee benefits	19,378,841	-	1,399,346	20,778,187
Books and supplies	4,935,857	-	1,410,526	6,346,383
Contract services and operating expenditures	9,174,860	-	2,876,506	12,051,366
Other outgo	477,723	-	-	477,723
Capital outlay	1,122,617	-	7,249,689	8,372,306
Debt service:				
Principal retirement	106,014	4,886,650	1,175,000	6,167,664
Interest	9,666	3,279,671	575,350	3,864,687
Total expenditures	95,160,179	8,166,321	19,185,659	122,512,159
(Deficiency) excess of revenues (under) over expenditures	(4,894,270)	647,505	(7,657,210)	(11,903,975)
Other financing sources (uses):				
Transfers in	424,143	-	2,951,110	3,375,253
Transfers out	(270,342)	(109,106)	(3,009,224)	(3,388,672)
Proceeds from capital lease	163,450	-	-	163,450
Total other financing sources (uses)	317,251	(109,106)	(58,114)	150,031
Net change in fund balances	(4,577,019)	538,399	(7,715,324)	(11,753,944)
Fund balances, July 1, 2017	12,896,978	12,486,833	12,201,549	37,585,360
Fund balances, June 30, 2018	$ 8,319,959	$ 13,025,232	$ 4,486,225	$ 25,831,416

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds	$ (11,753,944)
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).	8,561,665
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,037,626)
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 5).	(163,450)
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).	6,167,664
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	1,248,985
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).	304,310
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.	40,604
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).	(1,286,860)
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).	(102,851)

(Continued)

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:	$ (2,094,165)
Activities of the internal service fund are reported with governmental activities.	(4,874)
Change in net position of governmental activities	$ (5,128,329)

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS	
Current assets:	
Cash in County Treasury (Note 2)	$ 274,336
Receivables	557
Due from other funds	1,419
Total current assets	276,312
LIABILITIES	
Due to other funds	961
NET POSITION	
Restricted for payment of claims	$ 275,351

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, 2018

Operating revenues:	
In-District premiums	$ 1,648
Operating expenses:	
Books and supplies	5,547
Contract services and operating expenses	15,789
Total operating expenses	21,336
Operating loss	(19,688)
Non-operating revenues:	
Interest income	1,395
Transfers in	13,419
Total non-operating revenues	14,814
Change in net position	(4,874)
Net position, July 1, 2017	280,225
Net position, June 30, 2018	$ 275,351

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2018

Cash flows from operating activities:		
Cash received from premiums	$	17,969
Cash paid for supplies and operating expenses		(21,336)
Net cash used in operating activities		(3,367)
Cash flows provided by investing activities:		
Interest income received		1,395
Cash flows from non-capital financing activities:		
Transfer in from other funds		13,419
Increase in cash and investments		11,447
Cash in County Treasury, July 1, 2017		262,889
Cash in County Treasury, June 30, 2018	$	274,336
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(19,688)
Adjustments to reconcile operating loss to net cash used in operating activities:		
(Increase) in receivables		(457)
Decrease in due from other funds		15,817
Increase in due to other funds		961
Net cash used in operating activities	$	(3,367)

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2018

	Foundation Trust	Agency Student Body
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	$ 89,531	$ -
Cash on hand and in banks	-	156,575
Receivables	3,999	-
Total assets	93,530	$ 156,575
LIABILITIES		
Due to student groups	500	$ 156,575
NET POSITION		
Restricted for scholarships	$ 93,030	

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, 2018

Additions:	
Local sources	$ 16,747
Deductions:	
Contract services and operating expenditures	30,089
Change in net position	(13,342)
Net position, July 1, 2017	106,372
Net position, June 30, 2018	$ 93,030

See accompanying notes to financial statements.

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. 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)

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.

(Continued)

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 Charter Schools, 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, Special Reserve, Capital Projects for Blended Component Units 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, 2018.

(Continued)

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. Donate 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 net 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 net pension liability reported in the Statement of Net Position.

(Continued)

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:

	STRP	PERF B	Total
Deferred outflows of resources	$ 21,484,751	$ 9,849,154	$ 31,333,905
Deferred inflows of resources	$ 6,807,000	$ 680,000	$ 7,487,000
Net pension liability	$ 71,701,000	$ 31,443,000	$103,144,000
Pension expense	$ 9,504,408	$ 6,043,678	$ 15,548,086

Compensated Absences: Compensated absences benefits in the amount of $431,694 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)

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, 2018, 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, 2018, 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)

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, 2018, 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.

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated by decreasing net position by $5,404,155 because of the recognition of the Total OPEB Liability.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 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	$ 32,703,132	$ 274,336	$ 32,977,468	$ 89,531
Local Agency Investment Fund	12,683	-	12,683	-
Deposits:				
Cash in revolving fund	50,500	-	50,500	-
Cash on hand and in banks	-	-	-	156,575
Cash awaiting deposit	1,780	-	1,780	-
Cash with Fiscal Agent	2,883,690	-	2,883,690	-
Total cash and investments	$ 35,651,785	$ 274,336	$ 35,926,121	$ 246,106

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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, 2018, the carrying amount of the District’s accounts were $207,075 and the bank balances were $227,355. The total bank balance was fully insured at June 30, 2018.

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, 2018, 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, 2018, the District had no concentration of credit risk.

(Continued)

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, 2018 were as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 208,186	$ 529,769
Non-Major Funds:		
Charter Schools	87,078	27,103
Adult Education	13,115	12,710
Child Development	372	16,768
Cafeteria	105,705	144,122
Capital Facilities	-	37,616
Special Reserve	36,962	38,895
Capital Projects for Blended Component Units	357,270	2,163
Total governmental funds	808,688	809,146
Proprietary Fund:		
Self-Insurance	1,419	961
Totals	$ 810,107	$ 810,107

(Continued)

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 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund for parcel tax contributions.	$ 175,448
Transfer from the General Fund to the Child Development Fund for contributions to the program.	81,475
Transfer from the General Fund to the Self-Insurance Fund for safety credits transfer.	13,419
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.	109,106
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	234,582
Transfer from the Adult Education Fund to the General Fund for indirect costs .	25,482
Transfer from the Child Development Fund to the General Fund for indirect costs.	30,726
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	133,353
Transfer from the Capital Facilities Fund to the Special Reserve Fund for the Student Center project.	824,568
Transfer from the Capital Projects for Blended Component Units Fund to the Special Reserve Fund for the Student Center project.	1,760,513
	$ 3,388,672

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

Governmental Activities	Balance July 1, 2017	Transfers and Additions	Transfers and Deletions	Balance June 30, 2018
Non-depreciable:				
Land	$ 10,055,899	$ -	$ -	$ 10,055,899
Work-in-process	8,255,107	13,200	8,255,107	13,200
Depreciable:				
Improvement of sites	7,536,655	15,637,202	-	23,173,857
Buildings	145,753,764	1,029,090	-	146,782,854
Equipment	6,876,474	137,280	-	7,013,754
Totals, at cost	178,477,899	16,816,772	8,255,107	187,039,564
Less accumulated depreciation:				
Improvement of sites	3,717,054	5,443,806	-	9,160,860
Buildings	72,832,528	310,930	-	73,143,458
Equipment	5,663,712	282,890	-	5,946,602
Total accumulated depreciation	82,213,294	6,037,626	-	88,250,920
Capital assets, net	$ 96,264,605	$ 10,779,146	$ 8,255,107	$ 98,788,644

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 5,663,292
Instructional library, media and technology	12,076
School site administration	6,038
Food services	24,151
All other general administration	175,091
Centralized data processing	18,113
Plant services	138,865
Total depreciation expense	$ 6,037,626

(Continued)

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, 2018, no amounts of the refunded bonds were outstanding. The annual requirements to amortize the Series 2012, Special Tax Bond outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,275,000	$ 329,245	$ 1,604,245
2020	1,305,000	290,545	1,595,545
2021	1,345,000	250,795	1,595,795
2022	1,255,000	211,795	1,466,795
2023	1,250,000	174,220	1,424,220
2024-2028	4,325,000	426,225	4,751,225
2029	520,000	9,100	529,100
	$ 11,275,000	$ 1,691,925	$ 12,966,925

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, 2018, no amounts of the refunded bonds were outstanding. The refunding resulted in a deferred outflow of resources in the amount of $109,018. The annual requirements to amortize the Series 2015, Special Tax Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
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	495,000	157,300	652,300
2024-2028	2,800,000	477,850	3,277,850
2029-2030	1,260,000	44,450	1,304,450
	$ 6,435,000	$ 1,441,575	$ 7,876,575

(Continued)

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, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	745,000	112,300	857,300
2024-2026	2,435,000	148,700	2,583,700
	$ 5,865,000	$ 988,725	$ 6,853,725

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, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	655,000	135,769	790,769
2024-2028	3,665,000	314,978	3,979,978
	$ 6,625,000	$ 1,296,948	$ 7,921,948

(Continued)

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,	Principal	Interest	Total
2019	$ 3,061,750	$ 2,167,750	$ 5,229,500

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,	Principal	Interest	Total
2019	$ 270,000	$ 47,330	$ 317,330
2020	3,564,311	1,666,539	5,230,850
	$ 3,834,311	$ 1,713,869	$ 5,548,180

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, 2025 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ 645,400	$ 645,400
2020	158,476	661,924	820,400
2021	4,316,945	1,278,455	5,595,400
2022	4,700,035	1,150,365	5,850,400
2023	4,756,607	1,196,793	5,953,400
2024-2026	12,035,000	490,100	12,525,100
	$ 25,967,063	$ 5,423,037	$ 31,390,100

(Continued)

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, 2018 accumulated depreciation related to the leased equipment totaled $2,500,298.

The annual requirement to amortize the capitalized lease obligations at June 30, 2018 is as follows:

Year Ended June 30,	Lease Payments
2019	$ 115,679
2020	115,680
2021	115,681
Less amount representing interest	(24,553)
Present value of net minimum lease payments	$ 322,487

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018 is shown below:

	Balance July 1, 2017 as Restated	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
Special Tax Bonds	$ 19,390,000	$ -	$ 1,680,000	$ 17,710,000	$ 1,730,000
General Obligation Bonds	13,610,000	-	1,120,000	12,490,000	1,165,000
Unamortized premium	2,747,275	-	304,310	2,442,965	309,943
Certificates of Participation	36,124,774	-	3,261,650	32,863,124	3,331,750
Accreted interest	5,562,169	-	1,248,985	4,313,184	-
Capitalized lease obligations	265,051	163,450	106,014	322,487	103,554
Total OPEB Liability (Note 9)	14,609,350	1,642,106	355,246	15,896,210	-
Net pension liability (Notes 7 and 8)	90,996,000	12,148,000	-	103,144,000	-
Compensated absences	328,843	105,096	2,245	431,694	-
Totals	$ 183,633,462	$ 14,058,652	$ 8,078,450	$ 189,613,664	$ 6,640,247

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 Fund. Payments on the compensated absences, net pension liability and other postemployment benefits are made from the fund for which the related employee worked.

(Continued)

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Debt Service Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	$ 47,500	$ -	$ 3,000	$ 50,500
Stores inventory	-	-	35,719	35,719
Subtotal nonspendable	47,500	-	38,719	86,219
Restricted:				
Legally restricted programs	2,325,432	-	782,269	3,107,701
Capital projects	-	-	746,136	746,136
Debt service	-	13,025,232	2,919,101	15,944,333
Subtotal restricted	2,325,432	13,025,232	4,447,506	19,798,170
Assigned:				
Carryover/Commitments	258,581	-	-	258,581
Classified Intern Program	399,421	-	-	399,421
Subtotal assigned	658,002	-	-	658,002
Unassigned:				
Designated for economic uncertainty	5,289,025	-	-	5,289,025
Subtotal unassigned	5,289,025	-	-	5,289,025
Total fund balances	$ 8,319,959	$ 13,025,232	$ 4,486,225	$ 25,831,416

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.

(Continued)

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. 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 2017-18.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 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 CalSTRS 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 CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
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, 2021 to June 30, 2016	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $6,248,751 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

(Continued)

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

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 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

The state rate will increase to 5.311 percent on July 1, 2018, 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.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding(1)	Total State Appropriation to DB Program
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.
(3) The CalSTRS board has limited authority to adjust state contribution rates annually 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.
(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

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

District's proportionate share of the net pension liability	$ 71,701,000
State's proportionate share of the net pension liability associated with the District	42,418,000
Total	$ 114,119,000

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.078 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

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

For the year ended June 30, 2018, the District recognized pension expense of $9,504,408 and revenue of $4,398,016 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 265,000	$ 1,251,000
Changes of assumptions	13,284,000	-
Net differences between projected and actual earnings on investments	-	1,910,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,687,000	3,646,000
Contributions made subsequent to measurement date	6,248,751	-
Total	$ 21,484,751	$ 6,807,000

$6,248,751 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, 2019. 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,	
2019	$ 152,550
2020	$ 2,942,550
2021	$ 1,914,550
2022	$ 44,550
2023	$ 1,464,800
2024	$ 1,910,000

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, 2017 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)

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

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

	Measurement Period	
Assumption	As of June 30, 2017	As of June 30, 2016
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

(Continued)

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 CalSTRS board in February 2017 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:

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

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 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 AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$105,280,000	$ 71,701,000	$ 44,450,000

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

(Continued)

NOTE 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-2017.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 districts first join PERF B, 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, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed $2,807,154 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $31,443,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.132 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

(Continued)

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

For the year ended June 30, 2018, the District recognized pension expense of $6,043,678. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,126,000	$ -
Changes of assumptions	4,593,000	370,000
Net differences between projected and actual earnings on investments	1,088,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	235,000	310,000
Contributions made subsequent to measurement date	2,807,154	-
Total	$ 9,849,154	$ 680,000

$2,807,154 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, 2019. 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,	
2019	$ 1,887,000
2020	$ 2,954,000
2021	$ 2,116,500
2022	$ (595,500)

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, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

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

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

All other actuarial assumptions used in the June 30, 2016 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.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

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.

Asset Class	Long -Term* Assumed Asset Allocation	Expected Real Rate of Return Years of 1 - 10 (1)	Expected Real Rate of Return Years of 11+ (2)
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation of Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average
(1) An expected inflation rate of 2.50% used for this period
(2) An expected inflation rate of 3.00% used for this period.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

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

(Continued)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 46,262,000	$ 31,443,000	$ 19,149,000

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

Plan Description: In addition to the benefits described in Notes 7 and 8, the District provides post-employment health care benefits, under a single employer defined benefit OPEB plan, until age 65 for certain groups of employees who retire from the District and 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.

The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements to continue health coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	214
Active employees	1,043
	1,257

Benefits Provided*:* The benefits provided are the same as those provided for active employees.

Contributions*:* California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions to the Plan from the District were $355,246 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Fiscal Year End	June 30
Mortality Rate	2014 CalPERS Active Mortality for Miscellaneous Employees and 2009 CalSTRS Mortality tables
Discount Rate	3.80%. Based on the Bond Buyer 20-Bond Index.
Retirement Rate	2009 CalSTRS Retirement Rates Hired before 2013: 2009 CalPERS Retirement Rates for School Employees. Hired after 2012: 2009 CalPERS 2%@60 Retirement Rates for Miscellaneous Employees adjusted to reflect a minimum retirement age of 52.
Inflation Rate	2.75% per year
Salary Increases	2.75% per year
Medicare Coverage	All current and future participating retirees will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
Health Care Inflation	4.0% per year
Termination Rate	2009 CalSTRS and CalPERS Termination Rates
Funding Method	Entry Age Cost Method (Level Percentage of Pay).

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 9,205,195
Cumulative effect of GASB 75 Implementation	5,404,155
Balance at June 30, 2017, as restated	14,609,350
Changes for the year:	
Service cost	1,073,858
Interest	568,248
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(355,246)
Administrative expenses	-
Net change	1,286,860
Balance, June 30, 2018	$ 15,896,210

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

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

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
Total OPEB liability	$ 18,557,557	$ 15,896,210	$ 13,759,180

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates Rate (4.0%)	1% Increase (5.0%)
Total OPEB Liability	$ 13,811,284	$ 15,896,210	$ 18,379,484

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,642,106. At June 30, 2018, the District had no deferred outflows of resources or deferred inflows of resources related to pensions.

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

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, 2018, the District has approximately $7.4 million in outstanding commitments on ongoing construction contracts.

NOTE 12 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes: On August 16, 2018, the District issued $11,000,000 of Tax and Revenue Anticipation Notes (TRANs). The TRANs mature on June 28, 2019 and yield 1.4 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 2018-19 year.

REQUIRED SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 34,694,669	$ 31,279,785	$ 31,169,929	$ (109,856)
Local sources	28,993,803	32,820,279	32,705,012	(115,267)
Total LCFF	63,688,472	64,100,064	63,874,941	(225,123)
Federal sources	2,459,372	2,810,789	2,625,710	(185,079)
Other state sources	4,227,395	7,661,127	8,104,054	442,927
Other local sources	13,840,578	15,125,615	15,661,204	535,589
Total revenues	84,215,817	89,697,595	90,265,909	568,314
Expenditures:				
Current:				
Certificated salaries	40,798,547	42,201,170	42,173,933	27,237
Classified salaries	16,729,943	17,898,012	17,780,668	117,344
Employee benefits	16,878,812	19,370,015	19,378,841	(8,826)
Books and supplies	2,876,793	6,139,333	4,935,857	1,203,476
Contract services and operating expenditures	7,256,629	9,221,248	9,174,860	46,388
Other outgo	623,065	520,648	477,723	42,925
Capital outlay	6,248	871,958	1,122,617	(250,659)
Debt service:				
Principal retirement	166,748	104,444	106,014	(1,570)
Interest	9,429	9,429	9,666	(237)
Total expenditures	85,346,214	96,336,257	95,160,179	1,176,078
Deficiency of revenues under expenditures	(1,130,397)	(6,638,662)	(4,894,270)	1,744,392
Other financing sources (uses):				
Transfers in	357,215	380,101	424,143	44,042
Transfers out	(156,136)	(156,222)	(270,342)	(114,120)
Proceeds from capital lease	-	-	163,450	163,450
Total other financing sources (uses)	201,079	223,879	317,251	93,372
Net change in fund balance	(929,318)	(6,414,783)	(4,577,019)	1,837,764
Fund balance, July 1, 2017	12,896,978	12,896,978	12,896,978	-
Fund balance, June 30, 2018	$ 11,967,660	$ 6,482,195	$ 8,319,959	$ 1,837,764

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years

	2018
Total OPEB Liability	
Service Cost	$ 1,073,858
Interest	568,248
Employer Contributions	(355,246)
Net change in total OPEB liability	1,286,860
Total OPEB liability - beginning of year	14,609,350
Total OPEB liability - end of year (a)	$ 15,896,210
Covered employee payroll	$ 45,601,512
Total OPEB liability as a percentage of covered-employee payroll	35%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.084%	0.083%	0.080%	0.078%
District's proportionate share of the net pension liability	$ 48,887,000	$ 55,700,000	$ 64,757,000	$ 71,701,000
State's proportionate share of the net pension liability associated with the District	29,520,000	29,459,000	36,868,000	42,418,000
Total net pension liability	$ 78,407,000	$ 85,159,000	$101,625,000	$114,119,000
District's covered payroll	$ 37,261,000	$ 38,401,000	$ 39,902,000	$ 41,091,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.129%	0.135%	0.133%	0.132%
District's proportionate share of the net pension liability	$ 14,657,000	$ 19,902,000	$ 26,239,000	$ 31,443,000
District's covered payroll	$ 13,553,000	$ 14,949,000	$ 15,939,000	$ 16,793,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.13%	164.62%	187.24%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 3,409,992	$ 4,281,476	$ 5,196,394	$ 6,248,751
Contributions in relation to the contractually required contribution	3,409,992	4,281,476	5,196,394	6,248,751
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 38,401,000	$ 39,902,000	$ 41,091,000	$ 43,304,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 1,759,547	$ 1,888,245	$ 2,331,676	$ 2,807,154
Contributions in relation to the contractually required contribution	1,759,547	1,888,245	2,331,676	2,807,154
Contribution deficiency (excess)	$ -	$ -	$ -	-
District's covered payroll	$ 14,949,000	$ 15,939,000	$ 16,793,000	$ 18,075,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

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 is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's Total OPEB 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. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

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

D – Schedule of the District's Contributions

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

E – Changes of Benefit Terms

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

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period		
Assumptions	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2018

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund	Capital Projects for Blended Components Units Fund	Bond Interest and Redemption Fund	Total
ASSETS									
Cash and investments:									
Cash in County Treasury	$ 523,446	$ 197,001	$ 3,794	$ (18,497)	$ 461,201	$ (82)	$ 138,003	$ 2,919,101	$ 4,223,967
Cash awaiting deposit	-	400	-	1,380	-	-	-	-	1,780
Cash in revolving fund	2,000	1,000	-	-	-	-	-	-	3,000
Cash with Fiscal Agent	-	-	-	-	-	-	110,665	-	110,665
Receivables	34,575	62,534	16,092	203,029	-	3,747	15,000	-	334,977
Due from other funds	87,078	13,115	372	105,705	-	36,962	357,270	-	600,502
Stores inventory	-	-	-	35,719	-	-	-	-	35,719
Total assets	$ 647,099	$ 274,050	$ 20,258	$ 327,336	$ 461,201	$ 40,627	$ 620,938	$ 2,919,101	$ 5,310,610
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 91,454	$ 11,371	$ 1,336	$ 138,153	$ -	$ 1,732	$ 296,224	$ -	$ 540,270
Due to other funds	27,103	12,710	16,768	144,122	37,616	38,895	2,163	-	279,377
Unearned revenue	-	-	1,540	3,198	-	-	-	-	4,738
Total liabilities	118,557	24,081	19,644	285,473	37,616	40,627	298,387	-	824,385
Fund balances:									
Nonspendable	2,000	1,000	-	35,719	-	-	-	-	38,719
Restricted	526,542	248,969	614	6,144	423,585	-	322,551	2,919,101	4,447,506
Total fund balances	528,542	249,969	614	41,863	423,585	-	322,551	2,919,101	4,486,225
Total liabilities and fund balances	$ 647,099	$ 274,050	$ 20,258	$ 327,336	$ 461,201	$ 40,627	$ 620,938	$ 2,919,101	$ 5,310,610

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, 2018

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund	Capital Projects for Blended Component Units Fund	Bond Interest and Redemption Fund	Total
Revenues:									
Local Control Funding Formula (LCFF):									
State apportionment	$ 2,567,339	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,567,339
Local sources	2,126,736	-	-	-	-	-	-	-	2,126,736
Total LCFF	4,694,075	-	-	-	-	-	-	-	4,694,075
Federal sources	-	-	-	835,893	-	-	-	-	835,893
Other state sources	513,826	406,111	242,770	61,959	-	-	-	11,548	1,236,214
Other local sources	83,411	240,718	243,689	1,523,073	881,137	(1,971)	49,878	1,742,332	4,762,267
Total revenues	5,291,312	646,829	486,459	2,420,925	881,137	(1,971)	49,878	1,753,880	11,528,449
Expenditures:									
Current:									
Certificated salaries	2,056,968	282,162	252,548	-	-	-	-	-	2,591,678
Classified salaries	360,996	74,231	122,317	1,160,016	-	-	190,004	-	1,907,564
Employee benefits	765,985	97,084	144,284	334,272	-	-	57,721	-	1,399,346
Books and supplies	181,713	90,071	7,339	865,330	191,181	72,017	2,875	-	1,410,526
Contract services and operating expenditures	1,897,151	39,858	25,957	185,324	261,902	119,764	346,550	-	2,876,506
Capital outlay	-	-	-	17,449	25,914	2,868,032	4,338,294	-	7,249,689
Debt service:									
Principal retirement	-	-	-	-	-	-	55,000	1,120,000	1,175,000
Interest	-	-	-	-	-	-	54,106	521,244	575,350
Total expenditures	5,262,813	583,406	552,445	2,562,391	478,997	3,059,813	5,044,550	1,641,244	19,185,659
Excess (deficiency) of revenues over (under) expenditures	28,499	63,423	(65,986)	(141,466)	402,140	(3,061,784)	(4,994,672)	112,636	(7,657,210)
Other financing sources (uses):									
Transfers in	-	-	81,475	175,448	-	2,585,081	109,106	-	2,951,110
Transfers out	(234,582)	(25,482)	(30,726)	(133,353)	(824,568)	-	(1,760,513)	-	(3,009,224)
Total other financing sources (uses)	(234,582)	(25,482)	50,749	42,095	(824,568)	2,585,081	(1,651,407)	-	(58,114)
Net change in fund balances	(206,083)	37,941	(15,237)	(99,371)	(422,428)	(476,703)	(6,646,079)	112,636	(7,715,324)
Fund balances, July 1, 2017	734,625	212,028	15,851	141,234	846,013	476,703	6,968,630	2,806,465	12,201,549
Fund balances, June 30, 2018	$ 528,542	$ 249,969	$ 614	$ 41,863	$ 423,585	$ -	$ 322,551	$ 2,919,101	$ 4,486,225

DAVIS JOINT UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2018

Student Body	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Davis High School				
Assets:				
Cash on hand and in banks	$ 117,349	$ 209,724	$ 216,228	$ 110,845
Liabilities:				
Due to student groups	$ 117,349	$ 209,724	$ 216,228	$ 110,845
DaVinci High School				
Assets:				
Cash on hand and in banks	$ 3,698	$ 12,582	$ 13,222	$ 3,058
Liabilities:				
Due to student groups	$ 3,698	$ 12,582	$ 13,222	$ 3,058
Emerson Middle School				
Assets:				
Cash on hand and in banks	$ 12,423	$ 32,943	$ 45,521	$ (155)
Liabilities:				
Due to student groups	$ 12,423	$ 32,943	$ 45,521	$ (155)
Harper Middle School				
Assets:				
Cash on hand and in banks	$ 16,379	$ 36,517	$ 38,629	$ 14,267
Liabilities:				
Due to student groups	$ 16,379	$ 36,517	$ 38,629	$ 14,267
Holmes Middle School				
Assets:				
Cash on hand and in banks	$ 23,244	$ 43,621	$ 38,305	$ 28,560
Liabilities:				
Due to student groups	$ 23,244	$ 43,621	$ 38,305	$ 28,560
Total Student Body Funds				
Assets:				
Cash on hand and in banks	$ 173,093	$ 335,387	$ 351,905	$ 156,575
Liabilities:				
Due to student groups	$ 173,093	$ 335,387	$ 351,905	$ 156,575

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

Name	Office	Term Expires
Tom Adams	President	December 2018
Robert Poppenga	Vice President/Clerk	December 2020
Madhavi Sunder	Trustee	June 2018
Alan Fernandes	Trustee	December 2020
Barbara Archer	Trustee	December 2018

ADMINISTRATION

John A. Bowes, Ed.D.
Superintendent

Bruce Colby
Chief Business and Operations Officer

Mathew Best
Deputy Superintendent

Rody Boonchouy
Associate Superintendent, Instructional Services

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	Second Period Report	Annual Report
DISTRICT		
Certificate Numbers	5CE9BDEE	765441F7
Elementary:		
Transitional Kindergarten through Third	2,325	2,333
Fourth through Sixth	1,836	1,840
Seventh and Eighth	1,147	1,148
Special Education	11	11
Subtotal elementary	5,319	5,332
Secondary:		
Ninth through Twelfth	2,321	2,316
Continuation Education	41	41
Special Education	6	6
Subtotal secondary	2,368	2,363
District totals	7,687	7,695
CHARTER SCHOOLS		
Certificate Numbers	EC13D8A5	5880BEA6
Classroom-based Charter		
Elementary:		
Seventh through Eighth	188	189
Secondary:		
Ninth through Twelfth	368	364
Total	556	553

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2018

Grade Level	Minutes Require-ment	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
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	54,560	180	In Compliance
Grade 5	54,000	54,560	180	In Compliance
Grade 6	54,000	54,560	180	In Compliance
Grade 7	54,000	65,077	180	In Compliance
Grade 8	54,000	65,077	180	In Compliance
Grade 9	64,800	65,100	180	In Compliance
Grade 10	64,800	65,132	180	In Compliance
Grade 11	64,800	65,132	180	In Compliance
Grade 12	64,800	65,132	180	In Compliance
Classroom-based Charter School				
Grade 7	54,000	66,345	180	In Compliance
Grade 8	54,000	66,345	180	In Compliance
Grade 9	64,800	64,941	180	In Compliance
Grade 10	64,800	64,941	180	In Compliance
Grade 11	64,800	64,941	180	In Compliance
Grade 12	64,800	64,941	180	In Compliance

See accompanying notes to supplementary information.

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance,Part B, Section 611	13379	$ 1,342,132
84.027	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682	25,078
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619	13430	89,784
84.027	Special Education: IDEA Mental Health, Part B, Section 619	14468	98,669
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	305
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Private School ISPs	10115	30,118
	Subtotal Special Education Cluster		1,586,086
	ESEA: Title III Programs:		
84.365	ESEA: Title III Limited English Proficient (LEP) Student Program	14346	105,458
84.365	ESEA: Title III, Immigrant Education Program	15146	42,551
	Subtotal ESEA: Title III Programs		148,009
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	733,876
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	116,492
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	41,247
	Total U.S. Department of Education		2,625,710
U.S. Department of Agriculture - Passed through California Department of Education:			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13524	835,893
	Total U.S. Department of Agriculture		835,893
	Total Federal Programs		$ 3,461,603

See accompanying notes to supplementary information.

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

	(Budgeted) 2019	2018	2017	2016
General Fund				
Revenues and other financing sources	$ 95,698,080	$ 90,853,502	$ 89,452,107	$ 86,949,626
Expenditures	95,377,801	95,160,179	87,687,982	83,232,673
Other uses and transfers out	368,291	270,342	124,566	202,748
Total outgo	95,746,092	95,430,521	87,812,548	83,435,421
Changes in fund balance	$ (48,012)	$ (4,577,019)	$ 1,639,559	$ 3,514,205
Ending fund balance	$ 8,271,947	$ 8,319,959	$ 12,896,978	$ 11,257,419
Available reserves	$ 5,316,389	$ 5,289,025	$ 7,687,738	$ 6,638,116
Designated for economic uncertainties	$ 5,316,389	$ 5,289,025	$ 6,995,099	$ 6,638,116
Undesignated fund balance	$ -	$ -	$ 692,639	$ -
Available reserves as percentages of total outgo	5.6%	5.5%	8.8%	8.0%
All Funds				
Total long-term liabilities	$182,973,417	$189,613,664	$178,229,307	$167,296,583
Average daily attendance at P-2, excluding Charter	7,725	7,687	7,671	7,654

The General Fund fund balance has increased by $576,745 over the past three years. The fiscal year 2018-2019 budget projects a decrease of $48,012. 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 2018-2019.

Total long-term liabilities have increased by $22,317,081 over the past two years.

Average daily attendance has increased by 33 over the past two years. The District anticipates a increase of 38 ADA for fiscal year 2018-2019.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
#1079 Da Vinci Junior High and High School Academy	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 Davis Joint Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, 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. There are no reconciling items between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards

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 2018-2019 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, 2018, 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 2017-18 *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, 2018.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
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
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before 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
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 does not have any Juvenile Court Schools, 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 report any attendance hours for Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to the program.

The District did not receive any funds from the After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before 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'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 Facility 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 *2017-18 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.

(Continued)

Opinion on Compliance with State Laws and Regulations

In our opinion, 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, 2018.

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 *2017-18 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 LLP

Crowe LLP

Sacramento, California
December 14, 2018

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, 2018, 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 14, 2018.

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 2018-001.

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*.

(Continued)

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 LLP

Sacramento, California
December 14, 2018

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, 2018. 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 statues, 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 he 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 he 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, 2018.

(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 he 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 he Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 14, 2018

FINDINGS AND RECOMMENDATIONS

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:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.173A	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: Unmodified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 - 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

At Harper Junior High School, the cash box maintained by the Athletic Director was not deposited to the Associated Student Body (ASB) Secretary in a timely manner.

At Emerson Junior High School, the bank reconciliation did not agree to support.

Effect

Associated Student Body funds could potentially be misappropriated.

Cause

Adequate internal control and accounting 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)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-001 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. Recommendation: School sites should implement the proper control procedures in order to protect ASB funds from misappropriation.	Implemented	
2017-002 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. Recommendation: The District should ensure Kindergarten Continuance Forms are properly completed.	Implemented	

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-003 Condition: The bell schedules and calculation of instructional minutes for Holmes Junior High School and Harper Junior High School was not properly reviewed and approved by the District Business Office. Recommendation: The District Business Office should review and approve the instructional minutes calculation for each site and grade level to ensure they are in compliance with requirements before the start of the academic school year.	Implemented	