

LIVINGSTON UNION SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

LIVINGSTON UNION SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds - Statement of Net Position	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	58
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	59
Schedule of the District's Proportionate Share of the Net Pension Liability	60
Schedule of District Contributions	61
Notes to Required Supplementary Information	62

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	64
Local Education Agency Organization Structure	65
Schedule of Average Daily Attendance	66
Schedule of Instructional Time	67
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	68
Schedule of Financial Trends and Analysis	69
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	71
Note to Supplementary Information	72

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	75
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	77
Report on State Compliance	79

LIVINGSTON UNION SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	83
Financial Statement Findings	84
Federal Awards Findings and Questioned Costs	85
State Awards Findings and Questioned Costs	86
Summary Schedule of Prior Audit Findings	87
Management Letter	88

FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Governing Board
Livingston Union School District
Livingston, 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 the Livingston Union School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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 Livingston Union School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 5 through 13, budgetary comparison schedule on page 58, schedule of other postemployment benefits funding progress on page 59, schedule of the district's proportionate share of net pension liability on page 60, and the schedule of district contributions on page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures 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 (Uniform Guidance)* and the other supplementary information as 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the Livingston Union 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 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 Livingston Union School District's 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 Livingston Union School District's internal control over financial reporting and compliance.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 7, 2017

Campus Park Elementary
1845 H Street
(209)394-5460

Livingston Middle School
101 F Street
(209)394-5450

Selma Herndon Elementary
714 Prusso Street
(209)394-5480

Yamato Colony Elementary
800 N. Main Street
(209)394-5470

Walnut Child
Development Center
2600 Walnut Ave
(209)394-7122

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Livingston Union School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Livingston Union School District serves approximately 2,520 students in its three elementary and one middle school: Campus Park, Selma Herndon, and Yamato Colony serve students in transitional kindergarten through 5th grade; and, Livingston Middle School serves students in 6th-8th grade. The District also operates one Child Development Center that serves 144 preschool students aged three to five years. The District's diverse student population is comprised of approximately 85 percent Hispanic, ten percent Asian, four percent White, and one percent other ethnic backgrounds. Approximately 52 percent of the District's students are English learners with limited proficiency in English and 87 percent of the students qualify for free and reduced price lunches through the National School Lunch Program. The District's unduplicated student percentage is nearly 90 percent.

The success and safety of students is Livingston Union School District's highest priority. We expect our students to graduate from our District as proficient readers and writers who can solve problems, think critically, to be adaptive and flexible, able to collaborate successfully in groups, effectively utilize technology as a learning and communication tool, demonstrate a positive work ethic and make meaningful contributions to their school and their community.

Under California's funding system, all school districts are required to prepare a Local Control Accountability Plan (LCAP), which describes how they intend to meet annual goals for all students, with specific activities to address state and local priorities identified pursuant to *Education Code* Section 52060(d). Each school district must engage parents, educators, employees and the community to develop a three-year plan that best serves the needs of students in Livingston. This past school year, several stakeholder meetings were held and based on their input, the District has developed its plan customized to address the needs of our students. To view a complete copy of the District's Local Control and Accountability Plan identifying specific actions the District is taking to meet our goals, please visit our website at www.livingstonusd.org.

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Below is a summary of the 2017-2020 goals for Livingston Union School District.

Goal 1 — The District will create and expand conditions for teaching and learning through the implementation of Common Core with a focus on the essential competencies of Communication, Collaboration, Critical Thinking, Creativity and technology integration, ensuring our students are future ready.

Goal 2 — Students learning English as a second language will have increased access and support while in the core program as measured by participation in intervention and support services. Parents of English learners will be involved in their own learning and in program decisions benefitting their children.

Goal 3 — The District's students will be provided enrichment opportunities designed to promote growth in positive social skills, including self-confidence, collaboration, creativity, conflict resolution and empathy.

Goal 4 — With a focus on closing the academic achievement gap before it widens, the District's students will be supported in their learning of increasingly complex concepts through a tiered system of intervention. The focus of intervention will be literacy and math skills and success measured by student performance on classwork and on assessments.

Goal 5 —The District's facilities will be well maintained, safe and modernized to meet the needs of a 21st century teaching and learning environment as measured by the level of implementation of the District's five-year improvement plan.

OVERVIEW OF FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Livingston Union School District using the integrated approach prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the Districts (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activities, payables, and receivables.

The Fund Financial Statements include statements for each of the two types of activities: governmental and fiduciary.

The Governmental Activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Fiduciary Funds are agency funds. Agency funds report only a balance sheet and do not have a measurement focus.

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Livingston Union School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the District's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of education and safety of our schools will be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, we present the District activities as follows:

Governmental Activities – All of the District's services are reported in this category. This includes the education of kindergarten through eighth grade students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

During the 2016-2017 school year, the district initiated a number of facility/operational maintenance projects some of which include completing our e-rate project at a total cost of \$186,578. The balance of our work in progress projects as of the end of the year are as follows: Energy Efficiency \$441,337, Selma Herndon restrooms \$316,588, and Classroom Portable Replacement project \$254,252. Enrollment in the District decreased by 1.5 percent. While not significant, we have experienced two consecutive years of declining enrollment.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$13.5 million for the fiscal year ended June 30, 2017; an increase of \$1.4 million from the \$12.1 million for the fiscal year ended June 30, 2016. Of this amount, \$5.4 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants guarantor, constitutional provisions and enabling legislation that limit the District's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Net Position (Table 1)

(Amounts in millions)	Governmental Activities		
	2017	2016	Variance
Assets			
Current and other assets	\$ 23.6	\$ 21.8	\$ 1.8
Capital assets	20.6	20.7	(0.1)
Total Assets	<u>44.2</u>	<u>42.5</u>	<u>1.7</u>
Deferred Outflows of Resources	<u>6.4</u>	<u>4.0</u>	<u>2.4</u>
Liabilities			
Current liabilities	2.1	2.0	0.1
Long-term obligations	8.0	8.6	(0.6)
Net pension liability	26.3	19.8	6.5
Total Liabilities	<u>36.4</u>	<u>30.4</u>	<u>6.0</u>
Deferred Inflows of Resources	<u>0.7</u>	<u>4.0</u>	<u>(3.3)</u>
Net Position			
Net investment in capital assets	16.1	15.8	0.3
Restricted	5.4	5.4	-
Unrestricted	(8.0)	(9.1)	1.1
Total Net Position	<u>\$ 13.5</u>	<u>\$ 12.1</u>	<u>\$ 1.4</u>

The \$13.5 million net position of the governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$1.1 million.

Changes in Net Position

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

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Changes in Net Position (Table 2)

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Revenues			
Program revenues:			
Charges for services	\$ 0.1	\$ 0.1	\$ -
Operating grants and contributions	7.1	6.8	0.3
General revenues:			
Federal and State aid not restricted	22.4	22.3	0.1
Property taxes	3.3	3.1	0.2
Other general revenues	0.8	0.6	0.2
Total Revenues	33.7	32.9	0.8
Expenses			
Instruction related	22.3	20.2	2.1
Student support services	4.1	3.7	0.4
Administration	2.3	2.1	0.2
Plant services	2.9	2.5	0.4
Other	0.7	0.7	-
Total Expenses	32.3	29.2	3.1
Change in Net Position	\$ 1.4	\$ 3.7	\$ (2.3)

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was approximately \$32.3 million as compared to \$29.2 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$3.3 million because the cost was paid by those who benefited from the programs (\$0.1 million) or other governments and organizations who subsidized certain programs with grants and contributions (\$7.1 million). The District paid for the remaining "public benefit" portion of our governmental activities with \$23.2 million in Federal and State aid and other revenues, like interest earning and general entitlements.

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of approximately \$21.6 million, while the prior year reported a balance of approximately \$19.8 million, which is an increase of approximately \$1.8 million (Table 3).

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Fund Balance (Table 3)

(Amounts in millions)

	Fund Balances		
	June 30, 2017	June 30, 2016	Variance
General	\$ 10.6	\$ 9.2	\$ 1.4
Building	2.7	2.8	(0.1)
Capital Facilities	3.6	3.7	(0.1)
Special Reserve Capital Outlay	3.2	2.8	0.4
Non Major Funds	1.5	1.3	0.2
Total	\$ 21.6	\$ 19.8	1.8

Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$1.4 million mainly due to the increase State apportionment.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in September 2017. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District revises the working budget continuously as the information becomes available from the Federal, State and local government.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the prior year, the District had \$20.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. At the end of the current year, net capital assets totaled \$20.6 million. This amount represents a net decrease (including additions, deductions and depreciations) of \$0.1 million as depreciation exceeded capital outlay. Table 4 below displays our capital assets.

Capital Assets (Table 4)

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
Land and construction in process	\$ 4.1	\$ 3.7	\$ 0.4
Buildings and improvements	30.7	30.6	0.1
Equipment	2.3	2.2	0.1
Less: Accumulated depreciation	(16.5)	(15.8)	(0.7)
Total	\$ 20.6	\$ 20.7	\$ (0.1)

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

We present more detailed information about our capital assets in the Notes to the Financial Statements.

Long-Term Obligations

At the end of this year, the District had \$8.0 million in long-term obligations which decreased \$0.6 million or 7.0 percent from last year (Table 5). More detailed information can be found in the Notes to Financial Statements.

Long-Term Obligations (Table 5)

(Amounts in millions)

	Governmental Activities		
	2017	2016	Variance
General obligation bonds (financed with property taxes)	\$ 3.8	\$ 4.0	\$ (0.2)
Certificates of participation	2.4	2.7	(0.3)
QZABs	1.0	1.0	-
Other postemployment benefits	0.6	0.7	(0.1)
Compensated absences	0.2	0.2	-
Total	\$ 8.0	\$ 8.6	\$ (0.6)

The District's General Obligation Bond S&P rating at the time of their last evaluation was an "A+". We present more detailed information about our long-term obligations in the Notes to the Financial Statements.

Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of \$6.4 million, Deferred Inflows from pension activities of \$0.7 million and a Net Pension Liability of \$26.3 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2017-2018 State Budget includes a Proposition 98 funding level of \$74.5 billion, an increase of \$3.1 billion over last year with a nearly \$1.4 billion increase to the Local Control Funding Formula (LCFF). This equates to a 43.19 percent funding of the remaining gap to full implementation of the LCFF. A COLA of 1.56 percent is factored into the 2017-2018 target calculation. The enacted budget provides the statutory COLA of 1.56 percent to categorical programs not included in the LCFF.

In planning and preparing for the 2017-2018 budget, we referenced the best available information at the time of compilation. The California Department of Education, School Services of California and the California Association of School Business Officials were the primary sources of data. As the State financial situation either improves or deteriorates, the District's budget will be subject to change which could directly impact programs and funding.

LIVINGSTON UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Superintendent or Director of Business and Fiscal Services at the Livingston Union School District, 922 B Street, Livingston, CA 95334.

LIVINGSTON UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 22,479,222
Receivables	1,083,047
Stores inventories	39,052
Nondepreciable capital assets	4,073,331
Capital assets being depreciated	33,084,045
Accumulated depreciation	(16,538,757)
Total Assets	44,219,940
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	6,414,395
LIABILITIES	
Accounts payable	2,032,863
Unearned revenue	6,725
Long-term obligations:	
Current portion of long-term obligations other than pensions	489,158
Noncurrent portion of long-term obligations other than pensions	7,527,370
Total Long-Term Obligations	8,016,528
Aggregate net pension liability	26,335,885
Total Liabilities	36,392,001
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	745,887
NET POSITION	
Net investment in capital assets	16,066,344
Restricted for:	
Debt service	289,698
Capital projects	3,610,320
Educational programs	485,467
Other activities	1,073,340
Unrestricted	(8,028,722)
Total Net Position	\$ 13,496,447

The accompanying notes are an integral part of these financial statements.

LIVINGSTON UNION SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 19,379,165	\$ 86,550	\$ 3,651,811
Instruction-related activities:			
Supervision of instruction	533,664	5	199,097
Instructional library, media, and technology	796,356	-	34,085
School site administration	1,728,823	11,897	300,807
Pupil services:			
Home-to-school transportation	709,704	-	-
Food services	2,024,462	16,805	1,958,927
All other pupil services	1,374,236	388	212,388
Administration:			
Data processing	540,411	-	11,957
All other administration	1,746,453	10,772	385,148
Plant services	2,867,961	7,781	270,445
Ancillary services	72,114	-	969
Interest on long-term obligations	263,582	-	-
Other outgo	317,522	-	48,780
Total Governmental Activities	\$ 32,354,453	\$ 134,198	\$ 7,074,414

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Interagency revenues
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

- Net Position - Beginning
- Net Position - Ending

The accompanying notes are an integral part of these financial statements.

**Net (Expenses)
Revenues and
Changes in
Net Position**

**Governmental
Activities**

\$ (15,640,804)

(334,562)

(762,271)

(1,416,119)

(709,704)

(48,730)

(1,161,460)

(528,454)

(1,350,533)

(2,589,735)

(71,145)

(263,582)

(268,742)

(25,145,841)

2,874,371

356,046

73,253

22,425,583

208,543

600

601,247

26,539,643

1,393,802

12,102,645

\$ 13,496,447

LIVINGSTON UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 12,026,435	\$ 2,678,508	\$ 3,610,307
Receivables	535,731	-	-
Due from other funds	186,264	1,766	-
Stores inventories	-	-	-
Total Assets	\$ 12,748,430	\$ 2,680,274	\$ 3,610,307
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,834,467	\$ -	\$ -
Due to other funds	301,978	-	-
Unearned revenue	6,725	-	-
Total Liabilities	2,143,170	-	-
Fund Balances:			
Nonspendable	10,000	-	-
Restricted	373,141	2,680,274	3,610,307
Committed	2,494,920	-	-
Assigned	2,207,060	-	-
Unassigned	5,520,139	-	-
Total Fund Balances	10,605,260	2,680,274	3,610,307
Total Liabilities and Fund Balances	\$ 12,748,430	\$ 2,680,274	\$ 3,610,307

The accompanying notes are an integral part of these financial statements.

Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 3,014,549	\$ 1,149,423	\$ 22,479,222
-	547,316	1,083,047
300,000	2,113	490,143
-	39,052	39,052
<u>\$ 3,314,549</u>	<u>\$ 1,737,904</u>	<u>\$ 24,091,464</u>
\$ 122,268	\$ 76,128	\$ 2,032,863
1,766	186,399	490,143
-	-	6,725
<u>124,034</u>	<u>262,527</u>	<u>2,529,731</u>
-	39,052	49,052
-	1,436,325	8,100,047
-	-	2,494,920
3,190,515	-	5,397,575
-	-	5,520,139
<u>3,190,515</u>	<u>1,475,377</u>	<u>21,561,733</u>
<u>\$ 3,314,549</u>	<u>\$ 1,737,904</u>	<u>\$ 24,091,464</u>

LIVINGSTON UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds **\$ 21,561,733**
**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 37,157,376	
Accumulated depreciation is	<u>(16,538,757)</u>	
Net Capital Assets		20,618,619

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	2,129,689
--	-----------

The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	1,333,962
--	-----------

The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	2,598,201
---	-----------

The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(193,028)
--	-----------

The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(200,316)
---	-----------

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(26,335,885)
--	--------------

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

General obligation bonds	3,785,610	
Certificates of participation	2,446,939	
Qualified zone academy bonds	1,000,000	
Other postemployment benefits (OPEB)	601,325	
Compensated absences	<u>182,654</u>	
Total Long-Term Obligations		(8,016,528)
Total Net Position - Governmental Activities		<u>\$ 13,496,447</u>

The accompanying notes are an integral part of these financial statements.

LIVINGSTON UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 24,319,819	\$ -	\$ -
Federal sources	1,555,110	-	-
Other State sources	2,816,477	-	-
Other local sources	336,457	31,196	313,422
Total Revenues	29,027,863	31,196	313,422
EXPENDITURES			
Current			
Instruction	17,320,899	-	-
Instruction-related activities:			
Supervision of instruction	515,132	-	-
Instructional library, media and technology	766,422	-	-
School site administration	1,464,303	-	-
Pupil services:			
Home-to-school transportation	477,648	-	-
Food services	21,024	-	-
All other pupil services	1,315,477	-	-
Administration:			
Data processing	550,164	-	-
All other administration	1,502,327	-	-
Plant services	1,941,996	800	-
Facility acquisition and construction	127,617	136,143	-
Ancillary services	71,233	-	-
Other outgo	317,522	-	-
Debt service			
Principal	-	-	291,796
Interest and other	-	-	74,134
Total Expenditures	26,391,764	136,943	365,930
Excess (Deficiency) of			
Revenues Over Expenditures	2,636,099	(105,747)	(52,508)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(1,208,934)	-	-
Net Financing Sources (Uses)	(1,208,934)	-	-
NET CHANGE IN FUND BALANCES	1,427,165	(105,747)	(52,508)
Fund Balance - Beginning	9,178,095	2,786,021	3,662,815
Fund Balance - Ending	\$ 10,605,260	\$ 2,680,274	\$ 3,610,307

The accompanying notes are an integral part of these financial statements.

Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 24,319,819
-	2,081,355	3,636,465
-	1,503,985	4,320,462
104,379	497,429	1,282,883
<u>104,379</u>	<u>4,082,769</u>	<u>33,559,629</u>
-	1,037,441	18,358,340
-	89	515,221
-	-	766,422
-	188,691	1,652,994
-	-	477,648
-	1,912,330	1,933,354
-	6,983	1,322,460
-	-	550,164
-	200,766	1,703,093
553,923	268,735	2,765,454
377,471	-	641,231
-	-	71,233
-	-	317,522
-	180,000	471,796
-	189,448	263,582
<u>931,394</u>	<u>3,984,483</u>	<u>31,810,514</u>
<u>(827,015)</u>	<u>98,286</u>	<u>1,749,115</u>
1,201,866	7,068	1,208,934
-	-	(1,208,934)
<u>1,201,866</u>	<u>7,068</u>	<u>-</u>
374,851	105,354	1,749,115
2,815,664	1,370,023	19,812,618
<u>\$ 3,190,515</u>	<u>\$ 1,475,377</u>	<u>\$ 21,561,733</u>

LIVINGSTON UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 1,749,115**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlay in the period.

Capital outlays	\$ 725,957	
Depreciation expense	(831,548)	
Net Expense Adjustment		(105,591)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by \$25,650.

25,650

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(876,818)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

126,035

In governmental funds, premiums are recognized as revenues. In the government-wide statements, this item is amortized over the life of the debt. Amortization of debt premium was:

3,615

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	180,000
Certificates of participation	291,796

Change in Net Position of Governmental Activities	\$ 1,393,802
--	---------------------

The accompanying notes are an integral part of these financial statements.

LIVINGSTON UNION SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Agency Funds
ASSETS	
Deposits and investments	\$ 45,645
LIABILITIES	
Due to student groups	\$ 45,645

The accompanying notes are an integral part of these financial statements.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Livingston Union School District was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one middle school, and two preschools.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit, Livingston Union School District Financing Corporation, is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for, and the payment of, principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund categories are trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District currently has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting; which differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000, for site and facility acquisitions or improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the Statement of Net Position.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums

In the government-wide financial statements long-term obligations are reported as liabilities in the Statement of Net Position. Debt premiums related to those obligations are deferred and amortized over the life of the obligations using the straight line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Governing Board or Director of Fiscal and Business Services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 17 percent of General Fund expenditures and other financing uses.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,458,825 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Merced bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 22,479,222
Fiduciary funds	45,645
Total Deposits and Investments	<u>\$ 22,524,867</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 48,645
Cash in revolving	10,000
Investments	22,466,222
Total Deposits and Investments	<u>\$ 22,524,867</u>

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata 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.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 21,604,021	\$ -	\$ 21,604,021	\$ -	\$ -
Guaranteed Investment Contracts	838,843	-	-	838,843	-
Total	<u>\$ 22,442,864</u>	<u>\$ -</u>	<u>\$ 21,604,021</u>	<u>\$ 838,843</u>	<u>\$ -</u>

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in the Guaranteed Investment Contract of \$838,843, the District has a custodial credit risk exposure of \$838,843 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 21,604,021	\$ -	\$ -	\$ -	\$ 21,604,021
Guaranteed Investment Contracts	838,843	-	-	838,843	-
Total	<u>\$ 22,442,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 838,843</u>	<u>\$ 21,604,021</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consists of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 294,842	\$ 307,318	\$ 602,160
State Government			
State grants and entitlements	236,433	209,709	446,142
Local Sources	4,456	30,289	34,745
Total	<u>\$ 535,731</u>	<u>\$ 547,316</u>	<u>\$ 1,083,047</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	Balance <u>July 1, 2016</u>	Additions	Deductions	Balance <u>June 30, 2017</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,061,154	\$ -	\$ -	\$ 3,061,154
Construction in process	627,748	571,007	186,578	1,012,177
Total Capital Assets Not Being Depreciated	<u>3,688,902</u>	<u>571,007</u>	<u>186,578</u>	<u>4,073,331</u>
Capital Assets Being Depreciated				
Land improvements	4,227,606	70,223	-	4,297,829
Buildings and improvements	26,329,666	186,578	-	26,516,244
Furniture and equipment	2,185,245	84,727	-	2,269,972
Total Capital Assets Being Depreciated	<u>32,742,517</u>	<u>341,528</u>	<u>-</u>	<u>33,084,045</u>
Less Accumulated Depreciation				
Land improvements	3,067,901	147,796	-	3,215,697
Buildings and improvements	11,052,121	582,229	-	11,634,350
Furniture and equipment	1,587,187	101,523	-	1,688,710
Total Accumulated Depreciation	<u>15,707,209</u>	<u>831,548</u>	<u>-</u>	<u>16,538,757</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,724,210</u>	<u>\$ 80,987</u>	<u>\$ 186,578</u>	<u>\$ 20,618,619</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 382,513
School site administration	16,631
Home-to-school transportation	216,202
Food services	66,524
Data processing	16,631
All other general administration	24,946
Plant services	108,101
Total Depreciation Expenses Governmental Activities	<u>\$ 831,548</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 186,264	\$ 301,978
Building	1,766	-
Special Reserve Capital Outlay	300,000	1,766
Total Major Governmental Funds	<u>488,030</u>	<u>303,744</u>
Non-Major Governmental Funds		
Child Development	-	83,781
Cafeteria	2,113	102,618
Total Non-Major Governmental Funds	<u>2,113</u>	<u>186,399</u>
Total All Governmental Funds	<u>\$ 490,143</u>	<u>\$ 490,143</u>

The General Fund owes the Special Reserve Capital Outlay Fund for a contribution.	\$ 300,000
The General Fund owes the Cafeteria Fund for supplies.	1,978
The Cafeteria Fund owes the General Fund for indirect costs.	102,618
The Child Development Fund owes the Cafeteria Fund for staff development breakfasts.	135
The Child Development Fund owes the General Fund for expenditures coverage.	7,561
The Child Development Fund owes the General Fund for indirect costs.	21,085
The Child Development Fund owes the General Fund for a temporary loan.	55,000
The Special Reserve Capital Outlay Fund owes the Building Fund for non Building Fund costs.	1,766
Total Due To/Due From	<u>\$ 490,143</u>

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2017, consist of the following:

The General Fund made a contribution to the Special Reserve Capital Fund.	1,201,866
The General Fund made a contribution to the Cafeteria Fund.	7,068
Total	<u>\$ 1,208,934</u>

LIVINGSTON UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 1,041,628	\$ 122,268	\$ 51,734	\$ 1,215,630
State principal apportionment	63,480	-	-	63,480
Salaries and benefits	258,229	-	24,394	282,623
Deferred payroll	471,130	-	-	471,130
Total	<u>\$ 1,834,467</u>	<u>\$ 122,268</u>	<u>\$ 76,128</u>	<u>\$ 2,032,863</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund
Federal financial assistance	<u>\$ 6,725</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds- 2005, Series A	\$ 3,915,000	\$ -	\$ 180,000	\$ 3,735,000	\$ 190,000
GO bonds unamortized premium- 2005, Series A	54,225	-	3,615	50,610	-
2015 Certificates of participation	2,738,735	-	291,796	2,446,939	299,158
Qualified zone academy bond	1,000,000	-	-	1,000,000	-
Other postemployment benefits	727,360	557,744	683,779	601,325	-
Compensated absences - net	208,304	-	25,650	182,654	-
Total	<u>\$ 8,643,624</u>	<u>\$ 557,744</u>	<u>\$ 1,184,840</u>	<u>\$ 8,016,528</u>	<u>\$ 489,158</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments for the certificates of participation are made by the Capital Facilities Fund. Payments on the qualified zone academy bonds will be made by the Special Reserve Capital Outlay Fund. The other postemployment benefits and compensated absences will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2016</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2017</u>
2005 General Obligation Bonds, Series A						
Current Interest						
11/1/05	8/1/14-8/1/30	4.0-5.0%	\$ 5,000,000	<u>\$ 3,915,000</u>	<u>\$ 180,000</u>	<u>\$ 3,735,000</u>

Debt Service Requirements to Maturity

2005, Series A Current Interest General Obligation Bonds

The bonds mature through 2031 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 190,000	\$ 373,962	\$ 563,962
2019	200,000	374,462	574,462
2020	210,000	374,462	584,462
2021	220,000	373,963	593,963
2022	230,000	372,963	602,963
2023-2027	1,360,000	1,892,077	3,252,077
2028-2031	<u>1,325,000</u>	<u>1,494,750</u>	<u>2,819,750</u>
Total	<u>\$ 3,735,000</u>	<u>\$ 5,256,639</u>	<u>\$ 8,991,639</u>

Certificates of Participation

On October 15, 2014, the Livingston Union School District issued refunding certificates of participation in the amount of \$3,157,373, with an interest rate of 2.78 percent. As of June 30, 2017, the principal balance outstanding was \$2,446,939. The certificates were issued to refund the 2005 certificates of participation.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The certificates mature through 2025 as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 299,158	\$ 65,971	\$ 365,129
2019	306,325	57,604	363,929
2020	315,806	49,039	364,845
2021	324,894	40,177	365,071
2022	330,892	31,102	361,994
2023-2025	869,864	36,726	906,590
Total	<u>\$ 2,446,939</u>	<u>\$ 280,619</u>	<u>\$ 2,727,558</u>

Qualified Zone Academy Bonds

In 2005, the District issued \$1,000,000 in Qualified Zone Academy Bonds. Interest is not payable with the Bonds. In lieu of receiving periodic interest payments, eligible holders of the Bonds are allowed an annual federal income tax credit equal to the credit rate times the face amount of the Bonds. The Bonds will be paid in a lump sum at maturity. The liability at June 30, 2017, was \$1,000,000. From the original issuance proceeds, \$494,469 was deposited with a financial institution and is earning interest at an annual rate of 4.5 percent. At maturity, March 29, 2021, the initial deposit plus interest earned is projected to be sufficient to pay off the \$1,000,000 obligation. The balance of the deposit at June 30, 2017, in the amount of \$838,843 is reported in the Special Reserve Capital Outlay Fund.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$528,650, and premium contributions made by the District during the year were \$574,927 (includes implicit subsidy rate of 1.1497). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$29,094 and \$(42,068), respectively, which resulted in a decrease to the net OPEB obligation of \$126,035. As of June 30, 2017, the net OPEB obligation was \$601,325. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2017, amounted to \$182,654.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Stores inventories	-	-	-	-	39,052	39,052
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,052</u>	<u>49,052</u>
Restricted						
Legally restricted programs	373,141	-	-	-	1,146,614	1,519,755
Capital projects	-	2,680,274	3,610,307	-	13	6,290,594
Debt service	-	-	-	-	289,698	289,698
Total Restricted	<u>373,141</u>	<u>2,680,274</u>	<u>3,610,307</u>	<u>-</u>	<u>1,436,325</u>	<u>8,100,047</u>
Committed						
Supplemental/concentration grant	2,494,920	-	-	-	-	2,494,920
Total Committed	<u>2,494,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,494,920</u>
Assigned						
CalSTRS/CalPERS unfunded liability	311,346	-	-	-	-	311,346
Retiree health insurance unfunded liability	507,670	-	-	-	-	507,670
Facility needs	113,045	-	-	-	-	113,045
Technology sustainability	250,000	-	-	-	-	250,000
Capital projects	1,024,999	-	-	3,190,515	-	4,215,514
Total Assigned	<u>2,207,060</u>	<u>-</u>	<u>-</u>	<u>3,190,515</u>	<u>-</u>	<u>5,397,575</u>
Unassigned						
Reserve for economic uncertainties	5,520,139	-	-	-	-	5,520,139
Total	<u>\$ 10,605,260</u>	<u>\$ 2,680,274</u>	<u>\$ 3,610,307</u>	<u>\$ 3,190,515</u>	<u>\$ 1,475,377</u>	<u>\$ 21,561,733</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Self-Insured Schools of California (SISC) administers the Livingston Union School District's Postemployment Benefits Plan - a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for SISC can be obtained by writing to SISC at 2000 K Street, Bakersfield, CA 93301.

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Livingston Union School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 21 retirees and beneficiaries currently receiving benefits and 205 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District, the Livingston Elementary Teachers Association (LETA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed \$480,879 to fund the plan trust (including implicit rate subsidy), and plan earnings in the trust were \$67,205. Current premiums paid from the trust were \$328,726. At June 30, 2017, the District's balance in the Trust was \$718,937.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 528,650
Interest on net OPEB obligation	29,094
Adjustment to annual required contribution	(42,068)
Annual OPEB cost	<u>515,676</u>
Contributions	<u>(641,711)</u>
Decrease in net OPEB obligation	(126,035)
Net OPEB obligation, beginning of year	727,360
Net OPEB obligation, end of year	<u><u>\$ 601,325</u></u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2017	\$ 515,676	\$ 641,711	124.44%	\$ 601,325
2016	509,019	882,699	173.41%	727,360
2015	447,246	344,374	77.00%	1,101,040

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 4,547,894	\$ 4,547,894	0%	\$ 15,922,341	28.56%

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

Actuarial Methods and Assumptions

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

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The cost trend rate used for the Dental and Vision programs was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2015, was 21 years.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Central Valley Schools JPA for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017, the District participated in the Merced County Schools Insurance Group I (MCSIG I), an insurance purchasing pool. The intent of MCSIG I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MCSIG I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MCSIG I. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MCSIG I. Participation in MCSIG I is limited to districts that can meet MCSIG I selection criteria.

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California (SISC III) to provide employee health benefits. Self-Insured Schools of California (SISC III) is a shared risk pool comprised of agencies within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 19,668,487	\$ 4,212,003	\$ 536,995	\$ 2,054,481
CalPERS	6,667,398	2,202,392	208,892	952,026
Total	<u>\$ 26,335,885</u>	<u>\$ 6,414,395</u>	<u>\$ 745,887</u>	<u>\$ 3,006,507</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$1,532,129.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 19,668,487
State's proportionate share of the net pension liability associated with the District	11,196,919
Total	<u><u>\$ 30,865,406</u></u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0243 percent and 0.0226 percent, resulting in a net increase in the proportionate share of 0.0017 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,054,481. In addition, the District recognized pension expense and revenue of \$1,082,300 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,532,199	\$ -
Net change in proportionate share of net pension liability	1,116,238	57,205
Difference between projected and actual earnings on pension plan investments	1,563,636	-
Differences between expected and actual experience in the measurement of the total pension liability	-	479,790
Total	<u><u>\$ 4,212,073</u></u>	<u><u>\$ 536,995</u></u>

LIVINGSTON UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 34,114
2019	34,114
2020	908,946
2021	586,462
Total	<u>\$ 1,563,636</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 87,034
2019	87,034
2020	87,034
2021	87,034
2022	87,035
Thereafter	144,072
Total	<u>\$ 579,243</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
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%

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 28,307,389
Current discount rate (7.60%)	\$ 19,668,487
1% increase (8.60%)	\$ 12,493,518

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	11.85%	11.85%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$597,560.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,667,398. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0338 percent and 0.0313 percent, resulting in a net increase in the proportionate share of 0.0025 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$952,026. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 597,560	\$ -
Net change in proportionate share of net pension liability	283,505	8,576
Difference between projected and actual earnings on pension plan investments	1,034,565	-
Differences between expected and actual experience in the measurement of the total pension liability	286,762	-
Changes of assumptions	-	200,316
Total	<u>\$ 2,202,392</u>	<u>\$ 208,892</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 145,111
2019	145,112
2020	474,331
2021	270,011
Total	<u>\$ 1,034,565</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 120,517
2019	121,704
2020	119,154
Total	<u>\$ 361,375</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 9,947,795
Current discount rate (7.65%)	\$ 6,667,398
1% increase (8.65%)	\$ 3,935,822

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$897,289 (8.5783 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the original budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is not currently a party to any legal proceedings.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Merced County Schools Insurance Group I (MCSIG I), the Self-Insured Schools of California (SISC III), and the Central Valley Schools JPA (CVSJPA) joint powers authorities (JPAs). The District pays an annual premium to each entity for its workers' compensation, health, and property liability coverage. Payments for excess liability services are paid to the Schools Excess Liability Fund JPA. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

LIVINGSTON UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has not appointed a board member to the governing board of MCSIG I.

During the year ended June 30, 2017, the District made payment of \$296,702 to MCSIG I for workers' compensation insurance.

The District has not appointed a board member to the governing board of SISC III.

During the year ended June 30, 2017, the District made payment of \$4,161,415 to SISC III for health, dental and vision coverage.

The District has appointed two board members to the governing board of CVSJPA.

During the year ended June 30, 2017, the District made payment of \$182,007 to CVSJPA for property and liability insurance.

NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District's beginning fiduciary net position has been restated as of July 16, 2016. The District adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and required a restatement of the beginning net position for the Fiduciary - Retiree Benefits Trust Fund by \$(500,000) leaving the Fund with a beginning net position of \$0.

NOTE 17 - SUBSEQUENT EVENTS

On July 13, 2017, the District issued Election of 2005, Series B General Obligation Bonds in the amount of \$5,000,000 and 2017 General Obligation Refunding Bonds in the amount of \$3,260,000. The Series B bonds were authorized at an election of the registered voters of the District held on November 8, 2005, which authorized the issuance of \$10,000,000 principal amount of general obligation bonds for the purpose of financing the replacement and upgrading of school facilities. The Series B bonds are the second and final series to be issued under this authorization. The refunding bonds are being issued to refund the outstanding maturities of the District's Election of 2005, Series A General Obligation Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON UNION SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 24,363,789	\$ 24,319,820	\$ 24,319,819	\$ (1)
Federal sources	1,497,041	1,776,575	1,555,110	(221,465)
Other State sources	1,952,944	2,816,478	2,816,477	(1)
Other local sources	126,680	340,016	336,457	(3,559)
Total Revenues	27,940,454	29,252,889	29,027,863	(225,026)
EXPENDITURES				
Current				
Certificated salaries	12,245,702	12,122,646	11,903,781	218,865
Classified salaries	3,497,956	3,720,554	3,662,835	57,719
Employee benefits	6,692,598	6,898,680	6,745,101	153,579
Books and supplies	1,912,730	2,458,993	2,062,097	396,896
Services and operating expenditures	2,493,510	2,175,847	1,828,737	347,110
Other outgo	184,747	125,038	116,756	8,282
Capital outlay	-	89,848	72,457	17,391
Total Expenditures	27,027,243	27,591,606	26,391,764	1,199,842
Excess of Revenues Over Expenditures	913,211	1,661,283	2,636,099	974,816
Other Financing Uses				
Transfers out	(375,000)	(1,507,305)	(1,208,934)	298,371
Total Financing Uses	(375,000)	(1,507,305)	(1,208,934)	298,371
NET CHANGE IN FUND BALANCES	538,211	153,978	1,427,165	1,273,187
Fund Balance - Beginning	9,178,095	9,178,095	9,178,095	-
Fund Balance - Ending	\$ 9,716,306	\$ 9,332,073	\$ 10,605,260	\$ 1,273,187

See accompanying note to required supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2015	\$ -	\$ 4,547,894	\$ 4,547,894	0%	\$ 15,922,341	28.56%
July 1, 2013	\$ -	\$ 4,133,221	\$ 4,133,221	0%	\$ 13,462,237	30.70%
July 1, 2010	\$ -	\$ 3,525,286	\$ 3,525,286	0%	\$ 14,466,526	24.37%

See accompanying note to required supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.0243%</u>	<u>0.0226%</u>
District's proportionate share of the net pension liability (asset)	\$ 19,668,487	\$ 15,185,921
State's proportionate share of the net pension liability (asset) associated with the District	<u>11,196,919</u>	<u>8,031,678</u>
Total	<u>\$ 30,865,406</u>	<u>\$ 23,217,599</u>
District's covered - employee payroll	<u>\$ 11,883,504</u>	<u>\$ 11,019,651</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>165.51%</u>	<u>137.81%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0338%</u>	<u>0.0313%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 6,667,398</u>	<u>\$ 4,608,972</u>
District's covered - employee payroll	<u>\$ 4,053,549</u>	<u>\$ 3,463,070</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>164.48%</u>	<u>133.09%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2015

0.0227%

\$ 13,245,590

7,998,259

\$ 21,243,849

\$ 10,167,673

130.27%

77%

0.0314%

\$ 3,562,811

\$ 3,294,564

108.14%

83%

LIVINGSTON UNION SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
CalSTRS		
Contractually required contribution	\$ 1,532,129	\$ 1,275,100
Contributions in relation to the contractually required contribution	<u>1,532,129</u>	<u>1,275,100</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 12,179,086</u>	<u>\$ 11,883,504</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>
CalPERS		
Contractually required contribution	\$ 597,560	\$ 480,224
Contributions in relation to the contractually required contribution	<u>597,560</u>	<u>480,224</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 4,302,707</u>	<u>\$ 4,053,549</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2015

\$ 978,545

978,545

\$ -

\$ 11,019,651

8.88%

\$ 407,638

407,638

\$ -

\$ 3,463,070

11.771%

LIVINGSTON UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

LIVINGSTON UNION SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Title I - Part A, Basic	84.010	14329	\$ 926,441
Title II - Part A, Supporting Effective Instruction	84.367	14341	114,767
Title III - English Language Acquisition - IEP	84.365	15146	6,459
Title III - English Language Acquisition - LEP	84.365	14346	139,988
Special Education, Basic Local Assistance	84.027	13379	328,061
Total U.S. Department of Education			<u>1,515,716</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition - Centers and Family Day Care	10.558	13393	431,746
Child Nutrition Cluster:			
National School Lunch	10.555	13391	1,168,440
Especially Needy Breakfast	10.553	13526	367,836
Summer Food Program	10.559	13004	6,871
Food Distribution - Commodities	10.555	13391	97,456
Subtotal Child Nutrition Cluster			<u>1,640,603</u>
Total U.S. Department of Agriculture			<u>2,072,349</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	39,394
Passed Through Merced County Office of Education:			
Headstart	93.600	10016	9,006
Total U.S. Department of Health and Human Services			<u>48,400</u>
Total Expenditures of Federal Awards			<u>\$ 3,636,465</u>

See accompanying note to supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

ORGANIZATION

The Livingston Union School District was established in 1922 and consists of an area comprising approximately 80 square miles. The District operates three elementary schools, one middle school, and two preschools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Vernon Boyd	President	2020
Luis Enrique Flores	Vice President	2018
Anne Land	Clerk	2020
Yolanda Correia	Trustee	2018
Susan Ruth	Trustee	2018

ADMINISTRATION

Andrés Zamora	Superintendent
Kuljinder Sekhon	Director, Educational Services
Sara Crawley	Director, Fiscal and Business Services
Maria Torres-Perez	Director, Categorical Program and Special Projects
Tiffany Pickle	Director, Instructional Technology
Nick Jones	Director, Maintenance/Operations/Transportation
Rebecca Jameson	Director, Food Services
Jorge Arteaga	Principal - Campus Park
Victoria Bradshaw	Principal - Livingston Middle School
Stella Montanez	Principal - Selma Herndon
Alma De Luna	Principal - Yamato Colony
Jim Branch	Associate Principal - Livingston Middle School

See accompanying note to supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional kindergarten through third	1,078.25	1,080.73
Fourth through sixth	801.14	798.74
Seventh and eighth	548.00	547.55
Total ADA	<u>2,427.39</u>	<u>2,427.02</u>

See accompanying note to supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	1986-1987	2016-2017	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	57,660	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,960	180	N/A	Complied
Grade 2		54,960	180	N/A	Complied
Grade 3		54,960	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,960	180	N/A	Complied
Grade 5		54,960	180	N/A	Complied
Grade 6		57,882	180	N/A	Complied
Grade 7		58,464	180	N/A	Complied
Grade 8		58,464	180	N/A	Complied

See accompanying note to supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget) 2018 ¹	2017 ³	2016 ³	2015 ³
GENERAL FUND				
Revenues and Other Sources	\$ 28,159,840	\$ 29,027,863	\$ 28,812,880	\$ 23,494,496
Expenditures	27,011,196	26,391,764	25,756,813	22,464,841
Other uses and transfers out	390,502	1,208,934	1,044,461	734,887
Total Expenditures and Other Uses	27,401,698	27,600,698	26,801,274	23,199,728
INCREASE (DECREASE) IN FUND BALANCE	\$ 758,142	\$ 1,427,165	\$ 2,011,606	\$ 294,768
ENDING FUND BALANCE	\$ 11,363,402	\$ 10,605,260	\$ 9,178,095	\$ 7,166,489
AVAILABLE RESERVES²	\$ 5,402,239	\$ 5,520,139	\$ 5,617,894	\$ 4,639,946
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	19.71%	20.00%	20.96%	20.00%
LONG-TERM OBLIGATIONS	Not Available	\$ 8,016,528	\$ 8,643,624	\$ 9,414,102
AVERAGE DAILY ATTENDANCE AT P-2	2,418	2,427	2,462	2,506

The General Fund balance has increased by \$3,438,771 over the past two years. The fiscal year 2017-2018 budget projects a further increase of \$758,142 (seven percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2017-2018 fiscal year. Total long-term obligations have decreased by \$1,397,574 over the past two years.

Average daily attendance has decreased by 79 over the past two years. A decline of nine ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

³ On behalf payments made by the State to CalSTRS have been included in revenues and expenditures in the 2017 and 2016 fiscal years, but were not included in the 2015 fiscal year.

See accompanying note to supplementary information.

LIVINGSTON UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Child Development Fund	Cafeteria Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 6,443	\$ 853,269	\$ 13
Receivables	212,320	334,996	-
Due from other funds	-	2,113	-
Stores inventories	-	39,052	-
Total Assets	\$ 218,763	\$ 1,229,430	\$ 13
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 22,656	\$ 53,472	\$ -
Due to other funds	83,781	102,618	-
Total Liabilities	106,437	156,090	-
Fund Balances:			
Nonspendable	-	39,052	-
Restricted	112,326	1,034,288	13
Total Fund Balances	112,326	1,073,340	13
Total Liabilities and Fund Balances	\$ 218,763	\$ 1,229,430	\$ 13

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 289,698	\$ 1,149,423
-	547,316
-	2,113
-	39,052
<u>\$ 289,698</u>	<u>\$ 1,737,904</u>
\$ -	\$ 76,128
-	186,399
-	262,527
-	39,052
289,698	1,436,325
<u>289,698</u>	<u>1,475,377</u>
<u>\$ 289,698</u>	<u>\$ 1,737,904</u>

LIVINGSTON UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Child Development Fund	Cafeteria Fund	County School Facilities Fund
REVENUES			
Federal sources	\$ 9,006	\$ 2,072,349	\$ -
Other State sources	1,373,354	130,631	-
Other local sources	103,877	35,921	-
Total Revenues	1,486,237	2,238,901	-
EXPENDITURES			
Current			
Instruction	1,037,441	-	-
Instruction-related activities:			
Supervision of instruction	89	-	-
School site administration	188,691	-	-
Pupil services:			
Food services	-	1,912,330	-
All other pupil services	6,983	-	-
Administration:			
All other administration	99,305	101,461	-
Plant services	111,006	157,729	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	1,443,515	2,171,520	-
Excess (Deficiency) of Revenues Over Expenditures	42,722	67,381	-
Other Financing Sources (Uses)			
Transfers in	-	7,068	-
Net Financing Sources (Uses)	-	7,068	-
NET CHANGE IN FUND BALANCES	42,722	74,449	-
Fund Balance - Beginning	69,604	998,891	13
Fund Balance - Ending	\$ 112,326	\$ 1,073,340	\$ 13

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ 2,081,355
-	1,503,985
357,631	497,429
<u>357,631</u>	<u>4,082,769</u>
-	1,037,441
-	89
-	188,691
-	1,912,330
-	6,983
-	200,766
-	268,735
180,000	180,000
189,448	189,448
<u>369,448</u>	<u>3,984,483</u>
<u>(11,817)</u>	<u>98,286</u>
-	7,068
-	7,068
(11,817)	105,354
301,515	1,370,023
<u>\$ 289,698</u>	<u>\$ 1,475,377</u>

LIVINGSTON UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has 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 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

LIVINGSTON UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**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***

Governing Board
Livingston Union School District
Livingston, 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 Livingston Union School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Livingston Union School District's basic financial statements, and have issued our report thereon dated December 7, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston Union School District's financial statements are free from 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*.

We noted certain matters that we reported to management of Livingston Union School District in a separate letter dated December 7, 2017.

Purpose of This Report

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 7, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Livingston Union School District
Livingston, California

Report on Compliance for Each Major Federal Program

We have audited Livingston Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Livingston Union School District's (the District) major Federal programs for the year ended June 30, 2017. Livingston Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Livingston Union School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Livingston Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Livingston Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Livingston Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Livingston Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Livingston Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Livingston Union 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Varinck, Trine, Day & Co. LLP

Fresno, California
December 7, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Livingston Union School District
Livingston, California

Report on State Compliance

We have audited Livingston Union School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Livingston Union School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Livingston Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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 the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Livingston Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Livingston Union School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Livingston Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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	Yes
Mental Health Expenditures	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

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

We did not perform Continuation Education procedures because the program is not offered by the District.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

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

We did not perform procedures for the Mental Health expenditures program because the District does not receive funding for the program.

We did not perform procedures for the After School Education and Safety Program because the District does not offer the program.

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 7, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LIVINGSTON UNION SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Part A, Basic</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
---	-------------------

LIVINGSTON UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

LIVINGSTON UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

LIVINGSTON UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

LIVINGSTON UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no audit findings reported in the prior year's schedule of financial statement findings.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
Livingston Union School District
Livingston, California

In planning and performing our audit of the financial statements of Livingston Union School District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2017, on the government-wide financial statements of the District.

LIVINGSTON MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Timely Deposits

Observation

During our audit we noted that the rosters used to track money received from students did not have dates on the rosters indicating when money was received. This limits the ability to determine if cash is being held by teachers/advisors for extended periods, which can decrease the safeguarding of the asset.

Recommendation

Cash received by teachers/advisors should be turned in to the office as frequently as possible and dates should be written on all documents that are used to track money received.

Revenue Potentials

Observation

Revenue Potential Forms are not consistently used or filled out completely to document and control fundraising activities as they occur. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the Revenue Potential Form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The form should be completely filled out consistently. The Revenue Potential Form used at the site should contain four major elements. These are:

- Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
- Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
- Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

CAMPUS PARK ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit of the cash receipts procedures we noted:

- Prenumbered receipts are not issued by the bookkeeper for funds received.
- The sub-receipt logs for one deposit did not agree to the bank deposit.
- One check dated November 8, 2016 was not deposited until February 15, 2017.

Recommendation

In order to strengthen controls over the cash receipts procedures the site should:

- The bookkeeper should always issue a receipt from a "primary" ASB receipt book for funds turned in to her/him after verifying the accuracy of amounts to the supporting receipts/documentation.
- If there is a discrepancy between the cash turned in and the supporting documentation there should be a notation of why there is a discrepancy.
- Bank deposits should be made at least weekly, or more frequently if large amounts of cash have been received. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Ticket Reports and Logs

Observation

A Master Ticket Log is not being used by the site for its Chicken Dinner fundraising event to account for all tickets on hand and used during the year. In addition, a ticket sales recap form is not prepared, this form calculates the total revenue generated at fundraising events.

Recommendation

A Master Ticket Log should be maintained which notes the type of ticket and current beginning ticket number. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When tickets are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the ticket log.

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

Vavrinak, Trine, Day + Co. LLP

Fresno, California
December 7, 2017