

**LIBERTY UNION HIGH SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
BRENTWOOD, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

LIBERTY UNION HIGH SCHOOL DISTRICT

JUNE 30, 2018

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LIBERTY UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Liberty Union High School District
Brentwood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Union High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 1B to the financial statements, during fiscal year 2017-18, the District adopted new accounting guidance, Governmental Accounting Standard Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 65, schedule of changes in total OPEB liability and related ratios on page 66, the schedules of proportionate share of the net pension liabilities on pages 67 and 68, and the schedules of contributions on pages 69 and 70, 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 Liberty Union High School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements.

Other Matters (Concluded)

Other Information (Concluded)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of Liberty Union High 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 the Liberty Union High 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 Liberty Union High School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Liberty Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities and business-type activities, presented on pages 18 through 24, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- During fiscal year 2017-18, the District implemented Governmental Accounting Standard Board Statement No. 75 (GASB 75), which changed the financial reporting for other post employment benefits (OPEB). The new standard requires the District to report the total OPEB liability on the Statement of Net Position.
- The District's overall financial status weakened slightly during the course of the year, as total net position decreased 2.9%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$1,780,823.
- Capital assets, net of depreciation, decreased \$2,291,091, due to the current year addition of \$3,851,468 of new capital assets and improvements, and the current year recognition of \$6,142,559 of depreciation expense.
- Total long-term liabilities increased \$74,320,953 due primarily to increases in the District's pension liabilities related to its participation in the CalSTRS and CalPERS pension plans, and the current year issuance of \$60 million of "Measure U" general obligation bonds.
- The District's P-2 average daily attendance (ADA) increased from 7,725 ADA in fiscal year 2016-17, up to 7,742 ADA in fiscal year 2017-18, an increase of less than 1%.
- The District's General Fund produced an operating deficit of \$424,632 and reported a \$219,509 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2017-18, General Fund total outgo was \$87,640,729. At June 30, 2018, the District had available reserves of \$5,451,344, which represents an available reserve of 6.2%.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, governmental-wide and funds.

- Governmental-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the Governmental-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by state apportionments, property taxes, and other state and federal aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal programs and local revenues.

Business-type Activities:

These activities are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's Transportation Consortium operations are reported as business activities.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law, while other funds have been established to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Liberty Union High School District are the General Fund, Bond Interest and Redemption Fund and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Proprietary funds are activities that a District operates similar to a business, in that it attempts to recover costs through charges to the user. Proprietary funds include internal service funds and enterprise funds and are accounted for on the full accrual basis. Internal service funds account for goods or services that are provided to other funds in return for a fee to cover the cost of operations. The District has no funds of this type. Enterprise funds are used to account for any activity or service that charges a fee to external users to cover the cost of operations. The District has one fund of this type, the Transportation Consortium Fund or Enterprise Fund.

Fiduciary Funds:

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Governmental Activities:

The District's total net position decreased from \$60,784,485 at June 30, 2017, down to \$59,003,662 at June 30, 2018, a decrease of 2.9%.

Business-type Activities:

The District's total net position decreased from \$173,791 at June 30, 2017, down to \$0 at June 30, 2018, a decrease of 100%.

<u>Comparative Statement of Net Position</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Assets:						
Deposits and Investments	\$ 25,833,691	\$ 94,456,353	\$ (5,816)	\$ (22,573)	\$ 25,827,875	\$ 94,433,780
Receivables	3,365,282	1,351,968	64,291	368,144	3,429,573	1,720,112
Stores Inventory	4,879	4,879			4,879	4,879
Capital Assets, net	156,208,797	153,917,706	1,684,110	1,597,523	157,892,907	155,515,229
Total Assets	185,412,649	249,730,906	1,742,585	1,943,094	187,155,234	251,674,000
Deferred Outflows of Resources:						
OPEB Deferrals *	133,100	140,052			133,100	140,052
Pension Deferrals	17,227,429	27,778,329	637,430	847,641	17,864,859	28,625,970
Bond Refunding	1,560,099	1,426,636			1,560,099	1,426,636
Total Deferred Outflows of Resources *	18,920,628	29,345,017	637,430	847,641	19,558,058	30,192,658
Liabilities:						
Current	7,404,528	4,545,867	18,419	168,299	7,422,947	4,714,166
Long-Term *	131,968,242	210,685,948	2,060,315	2,555,621	134,028,557	213,241,569
Total Liabilities *	139,372,770	215,231,815	2,078,734	2,723,920	141,451,504	217,955,735
Deferred Inflows of Resources:						
Pension Deferrals	4,176,022	4,840,446	127,490	66,815	4,303,512	4,907,261
Net Position:						
Net Investment in Capital Assets	100,506,780	98,392,202	1,684,110	1,597,523	102,190,890	99,989,725
Restricted	15,597,688	21,863,585			15,597,688	21,863,585
Unrestricted (Deficit) *	(55,319,983)	(61,252,125)	(1,510,319)	(1,597,523)	(56,830,302)	(62,849,648)
Total Net Position *	\$ 60,784,485	\$ 59,003,662	\$ 173,791	\$ 0	\$ 60,958,276	\$ 59,003,662
<i>Table includes financial data of the combined governmental funds and proprietary fund</i>						
<i>* Prior year balances have been adjusted to reflect the restatement discussed in Note 16</i>						

The unrestricted deficit balances, presented above, are due primarily to the requirement for the District to record liabilities in the financial statements to reflect their proportionate share of the net pension liabilities related to their participation in the CalSTRS and CalPERS pension plans.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(PREPARED BY DISTRICT MANAGEMENT)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)

Governmental Activities:

The District's total current year expenses exceeded total current year revenues by \$1,780,823.

Business-Type Activities:

The District's total current year expenses exceeded total current year revenues by \$173,791.

<u>Comparative Statement of Changes in Net Position</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Program Revenues:						
Charges for Services	\$ 596,577	\$ 685,792	\$ 2,974,522	\$ 3,308,064	\$ 3,571,099	\$ 3,993,856
Operating Grants & Contributions	12,416,666	12,174,314			12,416,666	12,174,314
Capital Grants & Contributions	8,529	5,851			8,529	5,851
General Revenues:						
Taxes Levied	37,855,560	44,405,980			37,855,560	44,405,980
Federal & State Aid	42,388,745	41,657,664			42,388,745	41,657,664
Interest & Investment Earnings	245,766	1,322,746	1,846		247,612	1,322,746
Transfers from Other Agencies	91,842	67,726			91,842	67,726
Miscellaneous	3,763,451	3,384,658			3,763,451	3,384,658
Total Revenues	97,367,136	103,704,731	2,976,368	3,308,064	100,343,504	107,012,795
Expenses:						
Instruction	58,108,059	62,086,128			58,108,059	62,086,128
Instruction-Related Services	13,935,736	13,227,066			13,935,736	13,227,066
Pupil Services	7,132,182	7,629,603			7,132,182	7,629,603
General Administration	4,370,784	5,032,414			4,370,784	5,032,414
Plant Services	9,550,972	10,398,270			9,550,972	10,398,270
Enterprise Activities		17,100	3,141,483	3,481,855	3,141,483	3,498,955
Interest on Long-Term Debt	2,174,845	4,017,521			2,174,845	4,017,521
Other Outgo	2,438,441	3,077,452			2,438,441	3,077,452
Total Expenses	97,711,019	105,485,554	3,141,483	3,481,855	100,852,502	108,967,409
Changes in Net Position	\$ (343,883)	\$ (1,780,823)	\$ (165,115)	\$ (173,791)	\$ (508,998)	\$ (1,954,614)
<i>Table includes financial data of the combined governmental funds and proprietary fund</i>						

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

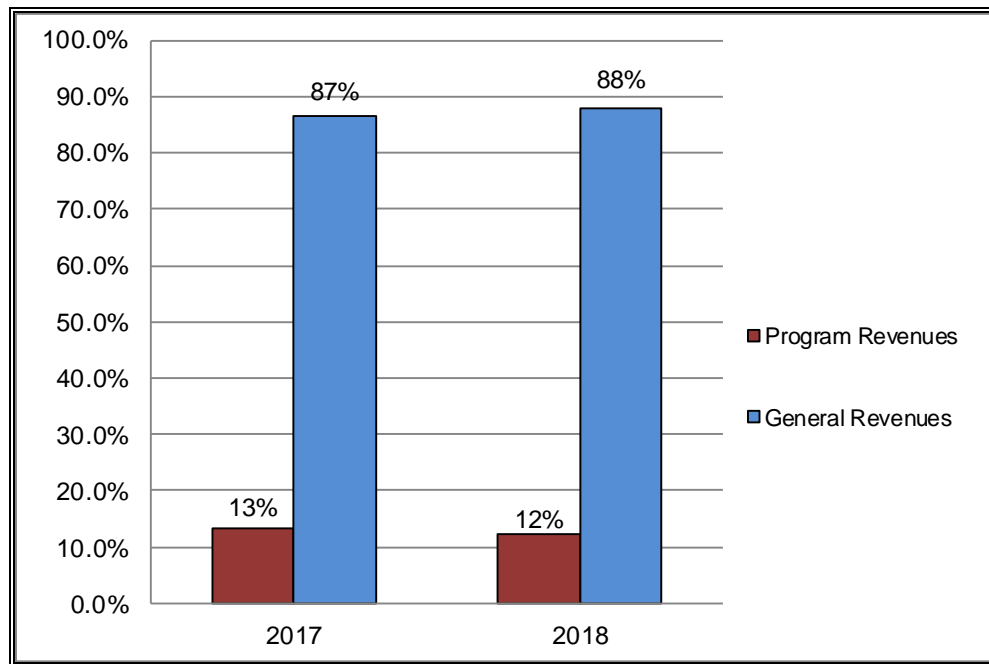
FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	\$ 58,108,059	\$ 62,086,128	\$ 49,408,914	\$ 53,589,288
Instruction-Related Services	13,935,736	13,227,066	13,063,835	12,282,654
Pupil Services	7,132,182	7,629,603	4,919,823	5,283,843
General Administration	4,370,784	5,032,414	4,226,532	5,020,009
Plant Services	9,550,972	10,398,270	8,948,281	9,783,329
Enterprise Activities	0	17,100	0	17,100
Interest on Long-Term Debt	2,174,845	4,017,521	2,174,845	4,017,521
Other Outgo	2,438,441	3,077,452	1,947,017	2,625,853
Totals	<u>\$ 97,711,019</u>	<u>\$ 105,485,554</u>	<u>\$ 84,689,247</u>	<u>\$ 92,619,597</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$92,619,597 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 12% of the total cost of providing the services listed above, while the remaining 88% was financed by the general revenues of the District.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

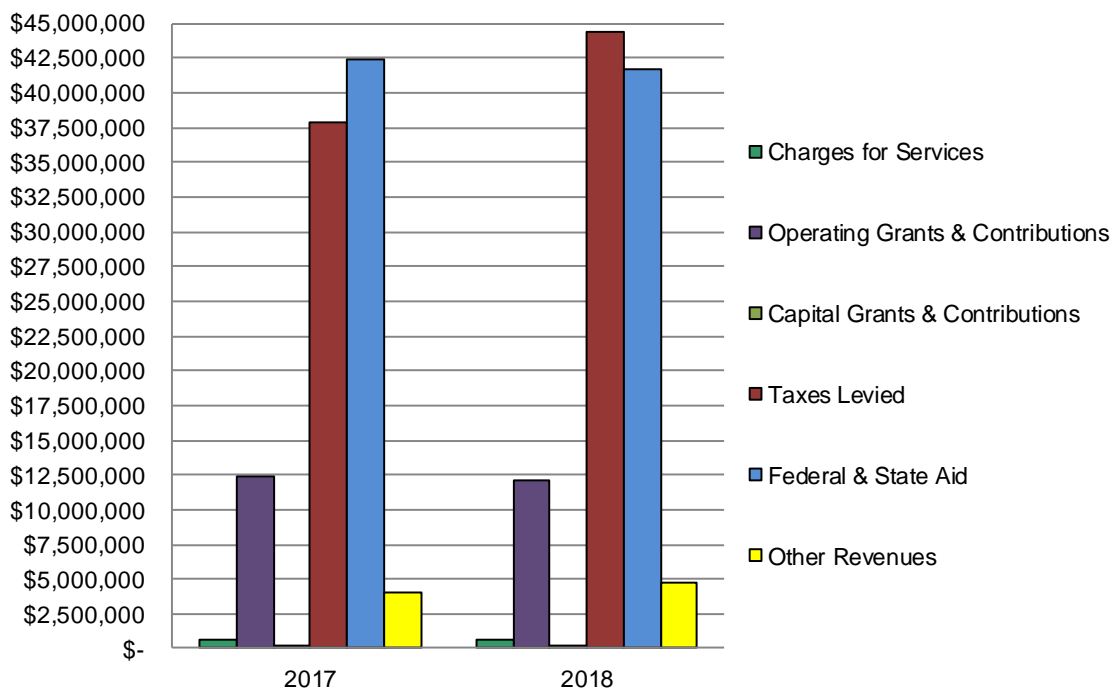
FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 596,577	0.61%	\$ 685,792	0.66%
Operating Grants & Contributions	12,416,666	12.75%	12,174,314	11.74%
Capital Grants & Contributions	8,529	0.01%	5,851	0.01%
<u>General Revenues</u>				
Taxes Levied	37,855,560	38.88%	44,405,980	42.82%
Federal & State Aid	42,388,745	43.53%	41,657,664	40.17%
Other Revenues	4,101,059	4.21%	4,775,130	4.60%
Total Revenues	\$ 97,367,136	100.00%	\$ 103,704,731	100.00%

Table includes financial data of the combined governmental funds

Comparative Revenues



**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

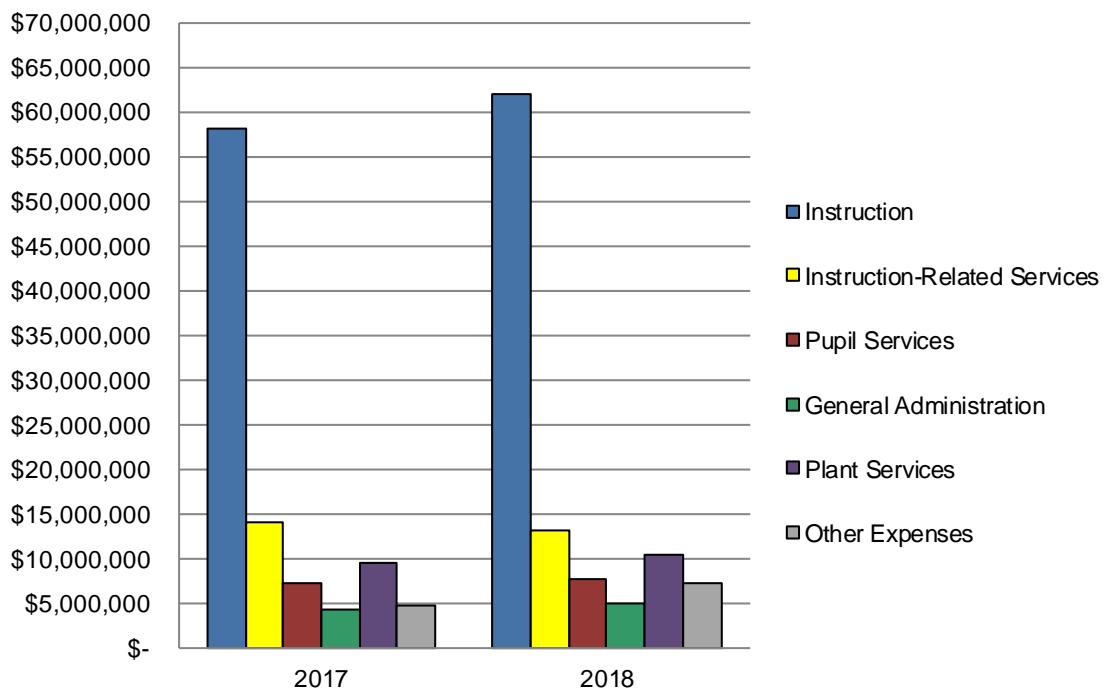
FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES (CONCLUDED)

Summary of Expenses For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 58,108,059	59.47%	\$ 62,086,128	58.86%
Instruction-Related Services	13,935,736	14.26%	13,227,066	12.54%
Pupil Services	7,132,182	7.30%	7,629,603	7.23%
General Administration	4,370,784	4.47%	5,032,414	4.77%
Plant Services	9,550,972	9.77%	10,398,270	9.86%
Other Expenses	4,613,286	4.72%	7,112,073	6.74%
Total Expenses	<u>\$ 97,711,019</u>	<u>100.00%</u>	<u>\$ 105,485,554</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds

Comparative Expenses



**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE CAPITAL ASSETS AND LONG-TERM LIABILITIES

Governmental Activities:

<u>Comparative Schedule of Capital Assets</u>		
	2017	2018
Land	\$ 17,758,869	\$ 17,758,869
Sites & Improvements	19,768,113	19,870,097
Buildings & Improvements	191,401,456	193,617,890
Furniture & Equipment	1,919,292	2,254,311
Work-in-Progress	449,931	1,647,962
Totals at Historical Cost	231,297,661	235,149,129
Less: Accumulated Depreciation	(75,088,864)	(81,231,423)
Capital Assets, net	<u>\$ 156,208,797</u>	<u>\$ 153,917,706</u>

Capital assets, net of depreciation, decreased \$2,291,091, due to the current year addition of \$3,851,468 of new capital assets and improvements, and the current year recognition of \$6,142,559 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	2017	2018
Compensated Absences	\$ 327,621	\$ 336,418
General Obligation Bonds	44,100,000	101,625,000
Bond Premium	2,185,639	5,222,358
Capital Leases	10,976,477	9,553,308
Total OPEB Liability *	11,420,973	12,702,498
Net Pension Liabilities	67,354,285	81,246,366
Totals *	<u>\$ 136,364,995</u>	<u>\$ 210,685,948</u>

* Prior year balances have been adjusted to reflect the restatement discussed in Note 16

Total long-term liabilities increased \$74,320,953 due primarily to increases in the District's pension liabilities related to its participation in the CalSTRS and CalPERS pension plans, and the current year issuance of \$60 million of "Measure U" general obligation bonds.

The general obligation bonds are financed by the local taxpayers and represent 48.2% of the District's total long-term liabilities.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to the future debt service requirements of each long-term obligation.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2017	Fund Balances June 30, 2018	Increase (Decrease)
General	\$ 14,078,803	\$ 13,654,171	\$ (424,632)
Bond Interest & Redemption	3,548,434	9,730,203	6,181,769
Building	0	59,448,526	59,448,526
Deferred Maintenance	783,776	614,011	(169,765)
Cafeteria	442,151	641,847	199,696
Adult Education	417,071	599,582	182,511
Capital Facilities	6,574,325	8,188,981	1,614,656
County School Facilities	632,864	178,625	(454,239)
Capital Projects - Special Reserve	598,422	1,188	(597,234)
Totals	<u>\$ 27,075,846</u>	<u>\$ 93,057,134</u>	<u>\$ 65,981,288</u>

The fund balance of the General Fund decreased \$424,632, while the combined fund balances of all other District governmental funds increased \$66,405,920. The significant increase in the Building Fund was due to the issuance of \$60 million of "Measure U" general obligation bonds that were largely unspent as of June 30, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. The original budget, approved at the end of June, is based on May Revise figures and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Adjustments at First and Second Interim.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

**LIBERTY UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District's 2018-19 CALPADS enrollment increased by 101, which is reflected in the District's First Interim Financial Report.

On November 8, 2016, more than 55% of voters approved "Measure U", which authorizes the District to issue \$122,000,000 in bonds to provide educational facilities and equipment to support advanced courses in math, science, engineering, arts and technology, modernize aging science labs, computer systems and career educational facilities, repair deteriorating roofs, plumbing, heating, ventilation and electrical systems, add classrooms and facilities including those relieving overcrowding, and to improve the likelihood of local high schools qualifying for state matching funds.

On August 10, 2017, the District issued \$60 million of General Obligation Bonds, Election of 2016, Series A, current interest bonds with interest rates ranging from 3.0% to 5.0%. The proceeds from the bond sale will be used solely for the purpose of financing projects authorized by "Measure U" in 2016, as described in the preceding paragraph, and paying for cost of issuance related to the bond sale. As a result, the District will be actively involved in construction activities during fiscal year 2018-19.

Employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its ninth year of expansion, lasting four years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislation and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact the Chief Business Officer, Liberty Union High School District, 20 Oak Street, Brentwood, CA 94513.

BASIC FINANCIAL STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 94,456,353	\$ (22,573)	\$ 94,433,780
Receivables (Note 3)	1,351,968	368,144	1,720,112
Stores Inventory (Note 1J)	4,879		4,879
Capital Assets, Not Depreciated (Note 5)	19,406,831		19,406,831
Capital Assets, Net of Accumulated Depreciation	134,510,875	1,597,523	136,108,398
Total Assets	249,730,906	1,943,094	251,674,000
<u>Deferred Outflows of Resources</u>			
OPEB Deferrals (Note 8)	140,052		140,052
Pension Deferrals (Note 9)	27,778,329	847,641	28,625,970
Bond Refunding	1,426,636		1,426,636
Total Deferred Outflows of Resources	29,345,017	847,641	30,192,658
<u>Liabilities</u>			
Accounts Payable and Other Current Liabilities	2,722,154	168,299	2,890,453
Accrued Interest Payable	1,789,801		1,789,801
Unearned Revenue (Note 1J)	33,912		33,912
Long-Term Liabilities:			
<i>Portion Due or Payable Within One Year:</i>			
Compensated Absences	336,418		336,418
General Obligation Bonds			
Current Interest	6,845,000		6,845,000
Bond Premium	281,254		281,254
Capital Leases	1,469,726		1,469,726
<i>Portion Due or Payable After One Year:</i>			
General Obligation Bonds (Note 6)			
Current Interest	94,780,000		94,780,000
Bond Premium	4,941,104		4,941,104
Capital Leases (Note 7)	8,083,582		8,083,582
Total OPEB Liability (Note 8)	12,702,498		12,702,498
Net Pension Liabilities (Note 9)	81,246,366	2,555,621	83,801,987
Total Liabilities	215,231,815	2,723,920	217,955,735
<u>Deferred Inflows of Resources</u>			
Pension Deferrals (Note 9)	4,840,446	66,815	4,907,261
Total Deferred Inflows of Resources	4,840,446	66,815	4,907,261
<u>Net Position</u>			
Net Investment in Capital Assets	98,392,202	1,597,523	99,989,725
Restricted:			
For Capital Projects	8,367,606		8,367,606
For Debt Service	7,940,402		7,940,402
For Educational Programs	4,903,730		4,903,730
For Other Purposes	651,847		651,847
Unrestricted	(61,252,125)	(1,597,523)	(62,849,648)
Total Net Position	\$ 59,003,662	\$ 0	\$ 59,003,662

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<u>Governmental Activities</u>							
Instruction	\$ 62,086,128		\$ 8,490,989	\$ 5,851	\$ (53,589,288)		\$ (53,589,288)
Instruction-Related Services:							
Supervision of Instruction	2,336,016		189,743		(2,146,273)		(2,146,273)
Instructional Library and Technology	1,086,497		10,216		(1,076,281)		(1,076,281)
School Site Administration	9,804,553		744,453		(9,060,100)		(9,060,100)
Pupil Services:							
Home-to-School Transportation	1,314,162				(1,314,162)		(1,314,162)
Food Services	1,492,303	\$ 682,235	915,546		105,478		105,478
Other Pupil Services	4,823,138		747,979		(4,075,159)		(4,075,159)
General Administration:							
Data Processing Services	18,662				(18,662)		(18,662)
Other General Administration	5,013,752		12,405		(5,001,347)		(5,001,347)
Plant Services	10,398,270	3,557	611,384		(9,783,329)		(9,783,329)
Enterprise Activities	17,100				(17,100)		(17,100)
Interest on Long-Term Debt	4,017,521				(4,017,521)		(4,017,521)
Other Outgo	3,077,452		451,599		(2,625,853)		(2,625,853)
Total Governmental Activities	105,485,554	685,792	12,174,314	5,851	(92,619,597)		(92,619,597)
<u>Business-Type Activities</u>							
Enterprise Activities	3,481,855	3,308,064				\$ (173,791)	(173,791)
Totals	\$ 108,967,409	\$ 3,993,856	\$ 12,174,314	\$ 5,851	(92,619,597)	(173,791)	(92,793,388)
<u>General Revenues</u>							
Taxes Levied for General Purposes					35,113,814		35,113,814
Taxes Levied for Debt Service					8,692,503		8,692,503
Taxes Levied for Specific Purposes					599,663		599,663
Federal and State Aid - Unrestricted					41,657,664		41,657,664
Interest and Investment Earnings					1,322,746		1,322,746
Transfers from Other Agencies					67,726		67,726
Miscellaneous					3,384,658		3,384,658
Total General Revenues					90,838,774	0	90,838,774
Change in Net Position					(1,780,823)	(173,791)	(1,954,614)
Net Position - July 1, 2017 (As Restated - Note 16)					60,784,485	173,791	60,958,276
Net Position - June 30, 2018					\$ 59,003,662	\$ 0	\$ 59,003,662

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 14,651,705	\$ 9,730,203	\$ 59,819,952	\$ 10,254,493	\$ 94,456,353
Receivables (Note 3)	1,013,527			338,441	1,351,968
Stores Inventory (Note 1J)				4,879	4,879
Total Assets	<u>\$ 15,665,232</u>	<u>\$ 9,730,203</u>	<u>\$ 59,819,952</u>	<u>\$ 10,597,813</u>	<u>\$ 95,813,200</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 1,977,149		\$ 371,426	\$ 373,579	\$ 2,722,154
Unearned Revenue (Note 1J)	33,912				33,912
Total Liabilities	<u>2,011,061</u>		<u>371,426</u>	<u>373,579</u>	<u>2,756,066</u>
Fund Balances: (Note 11)					
Nonspendable	10,000			4,879	14,879
Restricted	4,903,730	\$ 9,730,203	59,448,526	9,004,574	83,087,033
Committed				1,213,593	1,213,593
Assigned	3,289,097			1,188	3,290,285
Unassigned	5,451,344				5,451,344
Total Fund Balances	<u>13,654,171</u>	<u>9,730,203</u>	<u>59,448,526</u>	<u>10,224,234</u>	<u>93,057,134</u>
Total Liabilities and Fund Balances	<u>\$ 15,665,232</u>	<u>\$ 9,730,203</u>	<u>\$ 59,819,952</u>	<u>\$ 10,597,813</u>	<u>\$ 95,813,200</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Governmental Funds \$ 93,057,134

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital Assets	\$ 235,149,129	
Accumulated Depreciation	(81,231,423)	
Net		153,917,706

Unamortized costs: In governmental funds, the gain or loss from debt refunding activities is recognized in the period they are incurred. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, are:

1,426,636

Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported:

Deferred outflows of resources relating to OPEB		140,052
Deferred outflows of resources relating to pensions		27,778,329
Deferred inflows of resources relating to pensions		(4,840,446)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated Absences	\$ 336,418	
General Obligation Bonds	101,625,000	
Bond Premium	5,222,358	
Capital Leases	9,553,308	
Total OPEB Liability	12,702,498	
Net Pension Liabilities	81,246,366	
Total		(210,685,948)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:

(1,789,801)

Total Net Position - Governmental Activities **\$ 59,003,662**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Building</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 37,652,988			\$ 1,108,847	\$ 38,761,835
Local Taxes	35,113,814				35,113,814
Total LCFF Sources	72,766,802			1,108,847	73,875,649
Federal Revenue	2,079,949			1,046,196	3,126,145
State Revenue	8,378,807	\$ 58,903		1,261,884	9,699,594
Local Revenue	3,990,539	8,718,203	\$ 879,540	3,415,061	17,003,343
Total Revenues	87,216,097	8,777,106	879,540	6,831,988	103,704,731
<u>Expenditures</u>					
Current:					
Instruction	54,002,707			722,487	54,725,194
Supervision of Instruction	2,094,174				2,094,174
Instructional Library and Technology	992,107				992,107
School Site Administration	8,411,518			541,477	8,952,995
Home-To-School Transportation	1,232,104				1,232,104
Food Services				1,399,122	1,399,122
Other Pupil Services	4,295,134				4,295,134
Data Processing Services	17,497				17,497
Other General Administration	3,491,551			44,785	3,536,336
Plant Services	9,466,351		51,317	717,005	10,234,673
Facilities Acquisition and Construction	63,242		1,379,697	1,888,240	3,331,179
Other Outgo	2,541,388				2,541,388
Debt Service:					
Principal Retirement	831,444	2,475,000		591,725	3,898,169
Interest and Issuance Costs	114,323	2,893,056	536,064	238,711	3,782,154
Total Expenditures	87,553,540	5,368,056	1,967,078	6,143,552	101,032,226
Excess of Revenues Over (Under) Expenditures	(337,443)	3,409,050	(1,087,538)	688,436	2,672,505
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In		2,772,719		87,189	2,859,908
Operating Transfers Out	(87,189)		(2,772,719)		(2,859,908)
Other Sources			63,308,783		63,308,783
Total Other Financing Sources (Uses)	(87,189)	2,772,719	60,536,064	87,189	63,308,783
Net Change in Fund Balances	(424,632)	6,181,769	59,448,526	775,625	65,981,288
Fund Balances - July 1, 2017	14,078,803	3,548,434	0	9,448,609	27,075,846
Fund Balances - June 30, 2018	\$ 13,654,171	\$ 9,730,203	\$ 59,448,526	\$ 10,224,234	\$ 93,057,134

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds

\$ 65,981,288

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlay Expenditures	\$ 3,851,468	
Depreciation Expense	<u>(6,142,559)</u>	
Net		(2,291,091)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

3,898,169

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums or discounts, were:

(60,000,000)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(910,032)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between amounts paid and amounts earned were:

(8,797)

Post employment 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:

(1,274,573)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:

(4,005,605)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as Other Financing Sources or Other Financing Uses in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. The net premiums, discount, or gain or loss on debt refunding activities and the amortization for the period are:

Bond Premium	\$ (3,308,783)	
Amortization of Bond Premium	272,064	
Amortization of Bond Refunding	<u>(133,463)</u>	
Net		<u>(3,170,182)</u>

Change in Net Position of Governmental Activities

\$ (1,780,823)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ (22,573)
Receivables (Note 3)	368,144
Capital Assets: (Note 5)	
Buildings and Improvements	521,548
Furniture and Equipment	4,487,728
Less: Accumulated Depreciation	(3,411,753)
Total Assets	1,943,094
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 9)	847,641
Total Deferred Outflows of Resources	847,641
<u>Liabilities</u>	
Accounts Payable	168,299
Net Pension Liability (Note 9)	2,555,621
Total Liabilities	2,723,920
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 9)	66,815
Total Deferred Inflows of Resources	66,815
<u>Net Position</u>	
Net Investment in Capital Assets	1,597,523
Unrestricted (Deficit)	(1,597,523)
Total Net Position	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities
	Enterprise Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 3,308,064
Total Operating Revenues	3,308,064
<u>Operating Expenses</u>	
Personnel Services	2,612,221
Materials and Supplies	370,749
Contracted Services	254,728
Depreciation	244,157
Total Operating Expenses	3,481,855
Change in Net Position	(173,791)
Net Position - July 1, 2017	173,791
Net Position - June 30, 2018	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities
	Enterprise Fund
<i>Cash Flows From Operating Activities:</i>	
Cash Received from Services	\$ 3,004,211
Payments to Employees for Services	(2,387,801)
Payments to Suppliers for Goods and Services	(475,597)
Net Cash Provided by Operating Activities	140,813
<i>Cash Flows From Capital and Related Financing Activities:</i>	
Acquisition of Capital Assets	(157,570)
Net Cash Used for Capital and Related Financing Activities	(157,570)
Net Decrease in Cash	(16,757)
Deposits and Investments - July 1, 2017	(5,816)
Deposits and Investments - June 30, 2018	\$ (22,573)
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</i>	
Operating Loss	\$ (173,791)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	244,157
Changes in Operating Assets and Liabilities:	
Accounts Receivables	(303,853)
Deferred Outflows of Resources - Pension Deferrals	(210,211)
Accounts Payable	149,880
Deferred Inflows of Resources - Pension Deferrals	(60,675)
Net Pension Liability	495,306
Net Cash Provided by Operating Activities	\$ 140,813

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust	Agency	Total
	Scholarship Funds	Student Body Funds	Fiduciary Funds
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 69,878	\$ 2,010,483	\$ 2,080,361
Total Assets	69,878	2,010,483	2,080,361
<u>Liabilities</u>			
Due to Student Groups		2,010,483	2,010,483
Total Liabilities	0	2,010,483	2,010,483
<u>Net Position</u>			
Restricted	69,878	0	69,878
Total Net Position	\$ 69,878	\$ 0	\$ 69,878

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship Funds
<u>Additions</u>	
Gifts and Contributions	\$ 5,450
Interest	1,066
Total Additions	6,516
<u>Deductions</u>	
Contract Services	19,100
Total Deductions	19,100
Change in Net Position	(12,584)
<u>Net Position</u>	
Net Position - July 1, 2017	82,462
Net Position - June 30, 2018	\$ 69,878

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Liberty Union High School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees elected by registered voters of the District, which comprises an area in Contra Costa County. The District was established in 1902 and serves students in grades 9-12, as well as providing adult education programs.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB14) as amended by GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, and has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under these criteria.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, and has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity.

B. Implementation of New Accounting Pronouncements

In June 2015, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the fiscal year ended June 30, 2018. 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).

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements (Concluded)

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 interperiod equity, and creating additional transparency.

This Statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*. The effect on beginning net position that resulted from the implementation of GASB 75 is presented in Note 16.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District and its component units, when applicable. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Enterprise Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are transportation related fees. Operating expenses for the enterprise fund include the costs of personnel services, materials and supplies, and other services related to operating the transportation consortium program.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds - Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

Fiduciary Funds - Fiduciary funds are classified as either *Private-Purpose Trust Funds*, which are used to account for assets held by the District as trustee, or *Agency Funds*, which are used to account for assets of others for which the District acts as an agent.

The District's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

Building Fund is used to account for the acquisition and/or construction of major capital facilities and buildings financed from the sale of general obligation bonds.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

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

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).

County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Capital Projects - Special Reserve Fund is used to provide for the accumulation of general fund moneys to be used for capital outlay purposes.

Proprietary Fund:

Enterprise Fund was established to account for transactions of the Transportation Consortium, which are financed and operated in a manner similar to a business enterprise, where the intent is to recover the cost of providing the services through user charges.

Fiduciary Funds:

Private-Purpose Trust Fund is used to account for assets held by the District as trustee. The District maintains a private-purpose trust fund to account for Scholarship Funds, which are used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund to account for the student body accounts at each school site, which are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information on page 65.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

J. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

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 County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

1. Deposits and Investments (Concluded)

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.

Investments 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.

2. Stores Inventory

Inventory is recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventory is valued at average cost and consist of expendable supplies held for consumption.

Reported inventory is equally offset by a net position reserve, which indicates that this amount is not available for appropriation.

3. Capital Assets

Furniture and equipment purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost, and capital improvement, acquisition, or construction with an original cost of \$50,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	6-36
Buildings and Improvements	7-45
Furniture and Equipment	6-10

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

5. Unearned revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

7. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

8. Pensions

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

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums and discounts as well as refunding costs, when applicable, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premiums, discounts, or refunding.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance and refunding costs, when debt is issued. The face amount of the debt issued, premiums, discounts, and issuance or refunding costs are reported as other financing sources or uses.

10. Fund Balances

Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision-making authority (Governing Board). Formal action by resolution or majority vote must be taken prior to the end of the fiscal year. The same formal action must be taken to make amendments or modifications to the committed amounts. Committed fund balance does not lapse at year-end.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose. In accordance with board resolution, the Governing Board delegated authority to assign fund balance for a specific purpose to the Chief Business Official.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Fund Balances (Concluded)

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from assigned fund balance, and lastly, the unassigned fund balance.

In accordance with board resolution, the Board intends to maintain a minimum fund balance of 5% of the District's general fund annual operating expenditures. In the event the fund balance drops below 5%, it shall be recovered at a rate of 1% each year.

11. Local Control Funding Formula (LCFF)/Property Tax

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Contra Costa is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 4,438		\$ 2,010,483
Cash in Revolving Fund	10,000		
Investments	40,000,000		
County Pool Investments	<u>54,441,915</u>	<u>\$ (22,573)</u>	<u>69,878</u>
Total Deposits and Investments	<u>\$ 94,456,363</u>	<u>\$ (22,573)</u>	<u>\$ 2,080,361</u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds as well as petty cash funds.

Investments

Investments consist of \$20 million invested in a Yankee Certificate of Deposit and \$20 million invested in Federal Home Loan Mortgage Corporation Discount Notes. The investments were made from unspent bond proceeds that will be expended as "Measure U" projects are completed.

County Pool Investments

County pool investments consist of District cash held by the Contra Costa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

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

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 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 Contra Costa County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Governmental Activities:

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
Yankee Certificate of Deposit	\$ 20,000,000	\$ 20,000,000	159
FHLMC Discount Notes	20,000,000	20,000,000	143
County Pool Investments	54,441,915	54,382,029	167

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Business-Type Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ (22,573)	\$ (22,548)	167

Fiduciary Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
County Pool Investments	\$ 69,878	\$ 69,801	167

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

Governmental Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating at June 30, 2018</u>
Yankee Certificate of Deposit	\$ 20,000,000	\$ 20,000,000	Unrated
FHLMC Discount Notes	20,000,000	20,000,000	Unrated
County Pool Investments	54,441,915	54,382,029	Unrated

Business-Type Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating at June 30, 2018</u>
County Pool Investments	\$ (22,573)	\$ (22,548)	Unrated

Fiduciary Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating at June 30, 2018</u>
County Pool Investments	\$ 69,878	\$ 69,801	Unrated

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

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 specific 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 reasonable 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 Contra Costa County 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.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

The District's fair value measurements are as follows at June 30, 2018:

Governmental Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Yankee Certificate of Deposit	\$ 20,000,000	\$ 20,000,000
FHLMC Discount Notes	20,000,000	20,000,000
County Pool Investments	54,441,915	54,441,915

Business-Type Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ (22,548)</u>	<u>\$ (22,548)</u>

Fiduciary Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 69,801</u>	<u>\$ 69,801</u>

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018, consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities</u>
Federal Government	\$ 235,842	\$ 198,091	\$ 433,933	
State Government	465,168	84,266	549,434	
Local Governments	256,177		256,177	\$ 368,144
Miscellaneous	56,340	56,084	112,424	
Totals	<u>\$ 1,013,527</u>	<u>\$ 338,441</u>	<u>\$ 1,351,968</u>	<u>\$ 368,144</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - INTERFUND ACTIVITIES

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers in 2017-18 were:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 87,189
Bond Interest & Redemption	\$ 2,772,719	
Building		2,772,719
Capital Projects - Special Reserve	87,189	
Totals	<u>\$ 2,859,908</u>	<u>\$ 2,859,908</u>

Transfer of \$87,189 from the General Fund to the Capital Projects - Special Reserve Fund to provide funding to complete the District Office Project

Transfer of \$2,772,719 from the Building Fund to the Bond Interest & Redemption Fund to transfer net bond premium.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

A. Governmental Activities

	<u>Balances July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2018</u>
Capital Assets Not Being Depreciated:				
Land	\$ 17,758,869			\$ 17,758,869
Construction-in-Progress	449,931	\$ 3,851,468	\$ 2,653,437	1,647,962
Total Capital Assets Not Being Depreciated	<u>18,208,800</u>	<u>3,851,468</u>	<u>2,653,437</u>	<u>19,406,831</u>
Capital Assets Being Depreciated:				
Sites and Improvements	19,768,113	101,984	-	19,870,097
Buildings and Improvements	191,401,456	2,216,434	-	193,617,890
Furniture and Equipment	1,919,292	335,019	-	2,254,311
Total Capital Assets Being Depreciated	<u>213,088,861</u>	<u>2,653,437</u>	<u>0</u>	<u>215,742,298</u>
Less Accumulated Depreciation:				
Sites and Improvements	15,191,355	419,009	-	15,610,364
Buildings and Improvements	58,799,853	5,578,215	-	64,378,068
Furniture and Equipment	1,097,656	145,335	-	1,242,991
Total Accumulated Depreciation	<u>75,088,864</u>	<u>6,142,559</u>	<u>0</u>	<u>81,231,423</u>
Total Capital Assets Being Depreciated, Net	<u>137,999,997</u>	<u>(3,489,122)</u>	<u>0</u>	<u>134,510,875</u>
Governmental Activities Capital Assets, Net	<u>\$ 156,208,797</u>	<u>\$ 362,346</u>	<u>\$ 2,653,437</u>	<u>\$ 153,917,706</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

A. Governmental Activities

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 3,876,732
Instructional Related Services	825,914
Pupil Services	476,402
General Administration	314,230
Plant Services	<u>649,281</u>
 Total Depreciation Expense	 <u>\$ 6,142,559</u>

B. Business-Type Activities

	Balances <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2018</u>
Buildings and Improvements	\$ 521,548			\$ 521,548
Furniture and Equipment	4,330,158	\$ 157,569		4,487,727
Totals at Historical Cost	<u>4,851,706</u>	<u>157,569</u>	<u>\$ 0</u>	<u>5,009,275</u>
 Less Accumulated Depreciation for:				
Buildings and Improvements	261,595	16,247	-	277,842
Furniture and Equipment	2,906,001	227,910	-	3,133,911
Total Accumulated Depreciation	<u>3,167,596</u>	<u>244,157</u>	<u>0</u>	<u>3,411,753</u>
 Governmental Activities				
Capital Assets, net	<u>\$ 1,684,110</u>	<u>\$ (86,588)</u>	<u>\$ 0</u>	<u>\$ 1,597,522</u>

Depreciation expense was charged to business-type activities as follows:

Enterprise	<u>\$ 244,157</u>
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NOTE 6 - GENERAL OBLIGATION BONDS

In April 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of \$28.96 million, with interest rates ranging from 2.0 percent through 5.0 percent. The bonds were issued to refund all or a portion of the 2001 General Obligation Refunding Bonds that were scheduled to mature August 1, 2011 through August 1, 2019, the Election of 2001, Series A Bonds that were scheduled to mature on August 1, 2013 through August 1, 2017, and the Election of 2001, Series B Bonds that were scheduled to mature on August 1, 2017 through August 1, 2028. Principal and interest payments due on the 2011 Refunding Bonds will be paid semiannually on February 1, and August 1 of each year until fully defeased on August 1, 2028.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - GENERAL OBLIGATION BONDS (CONTINUED)

In July 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of \$26.22 million with interest rates ranging from 2.0 percent through 5.0 percent. The bonds were issued to refund the outstanding Election of 2001, Series A Bonds that were scheduled to mature on August 1, 2029 and August 1, 2030, the Election of 2001, Series C Bonds that were scheduled to mature on August 1, 2013 through August 1, 2028, and the 2004 General Obligation Refunding Bonds that were scheduled to mature on August 1, 2013 through August 1, 2020. Principal and interest payments due on the 2012 Refunding Bonds will be paid semiannually on February 1, and August 1 of each year until fully defeased on August 1, 2030.

On November 8, 2016, more than 55% of voters approved "Measure U", which authorizes the District to issue \$122,000,000 in bonds to provide educational facilities and equipment to support advanced courses in math, science, engineering, arts and technology, modernize aging science labs, computer systems and career educational facilities, repair deteriorating roofs, plumbing, heating, ventilation and electrical systems, add classrooms and facilities including those relieving overcrowding, and to improve the likelihood of local high schools qualifying for state matching funds.

On August 10, 2017, the District issued \$60 million of General Obligation Bonds, Election of 2016, Series A, current interest bonds with interest rates ranging from 3.0% to 5.0%. The proceeds from the bond sale will be used solely for the purpose of financing projects authorized by "Measure U" in 2016, as described in the preceding paragraph, and paying for cost of issuance related to the bond sale. Principal and interest payments due on the Election of 2016, Series A, current interest bonds will be paid semiannually on February 1, and August 1 of each year until fully defeased on August 1, 2047.

The District's outstanding general obligation debt, excluding \$5,222,358 of unamortized bond premiums, as of June 30, 2018 is as follows:

Year of Issue	Interest Rate %	Year of Maturity	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
2011	2.00-5.00	2029	\$ 28,960,000	\$ 22,980,000		\$ 1,075,000	\$ 21,905,000
2012	2.00-5.00	2031	26,220,000	21,120,000		1,400,000	19,720,000
2017	3.00-5.00	2047	60,000,000	0	\$ 60,000,000		60,000,000
			<u>\$ 115,180,000</u>	<u>\$ 44,100,000</u>	<u>\$ 0</u>	<u>\$ 2,475,000</u>	<u>\$ 101,625,000</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

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

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 6,845,000	\$ 3,939,338	\$ 10,784,338
2020	5,505,000	3,710,713	9,215,713
2021	5,400,000	3,497,688	8,897,688
2022	2,955,000	3,319,063	6,274,063
2023	3,230,000	3,176,963	6,406,963
2024-2028	19,595,000	13,578,725	33,173,725
2029-2033	15,180,000	9,325,956	24,505,956
2034-2038	8,700,000	7,585,063	16,285,063
2039-2043	13,650,000	5,573,000	19,223,000
2043-2048	20,565,000	2,183,297	22,748,297
Totals	<u>\$ 101,625,000</u>	<u>\$ 55,889,806</u>	<u>\$ 157,514,806</u>

NOTE 7 - CAPITAL LEASES

The District entered into various lease-purchase agreements in prior years for purposes of financing capital improvements. All of these agreements provide for title to pass upon the expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2019	1,776,204
2020	1,776,204
2021	1,776,204
2022	1,776,204
2023	645,263
2024-2028	2,300,452
2029-2033	920,182
Total payments	10,970,713
Less amount representing interest	<u>(1,417,405)</u>
Present value of net minimum lease payments	<u>\$ 9,553,308</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these leased assets.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description / Benefits Provided

Liberty Union High School District's Other Post Employment Benefits Plan (Plan), is a single employer defined benefit healthcare plan administered by the District. No separate financial statements were issued for the plan. The District provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The benefits provided are as follows:

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefit Types Provided	Medical Only	Medical Only	Medical Only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	10 years	10 years
Minimum age	60	60	60
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	10-19 years of service: \$150 / month 20-29 years of service: \$170 / month 30+ years of service: \$190 / month	\$200 per month	10-19 years of service: \$150 / month 20-29 years of service: \$170 / month 30+ years of service: \$190 / month

Retirees who do not qualify for or exhaust the benefits listed above are entitled to the statutory minimum employer contributions under the Public Employees' Medical and Hospital Care Act (PEMHCA).

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, benefits and costs are subject to change.

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2017 are as follows:

Inactive employees currently receiving benefit payments	81
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>692</u>
Total number of participants	<u><u>773</u></u>

Total OPEB Liability

The District's total OPEB liability of \$12,702,498 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2017, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Salary Increases	2.75%
Discount Rate	3.5%, net of expenses
Healthcare cost trend rates	4.0% per year based on assumption that average increase over time cannot continue to outstrip general inflation by wide margin

The discount rate is based on the Bond Buyer 20 Bond Index.

Mortality rates for certificated employees were based on the *2009 CalSTRS Mortality* table created by CalSTRS. Mortality rates for classified employees were based on the *2014 CalPERS Active Mortality for Miscellaneous Employees* table created by CalPERS.

Retirement rates for certificated employees were based on the *2009 CalSTRS Retirement Rates* table created by CalSTRS. Retirement rates for classified employees were based on the *2009 CalPERS Retirement Rates for School Employees* table for employees hired before January 1, 2013 and the *2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @ 60* table adjusted to minimum retirement age of 52 for employees hired after December 31, 2012.

Turnover rates for certificated employees were based on the *2009 CalSTRS Termination Rates* table created by CalSTRS. Turnover rates for classified employees were based on the *2009 CalPERS Termination Rates for School Employees* table created by CalPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at Beginning of Year	<u>\$ 11,420,973</u>
Changes for the year:	
Service cost	999,679
Interest on total OPEB liability	414,946
Benefit payments	<u>(133,100)</u>
Net changes	<u>1,281,525</u>
Balance at End of Year	<u><u>\$ 12,702,498</u></u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.50%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate 1% Decrease 2.50%	Discount Rate Current Rate 3.50%	Discount Rate 1% Increase 4.50%
District's Total OPEB Liability	\$ 15,053,191	\$ 12,702,498	\$ 10,829,535

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current healthcare cost trend rate of 4.00%, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Healthcare Cost Trend Rate 1% Decrease 3.00%	Healthcare Cost Trend Rate Current Rate 4.00%	Healthcare Cost Trend Rate 1% Increase 5.00%
District's Total OPEB Liability	\$ 7,888,831	\$ 12,702,498	\$ 19,364,701

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,414,625. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 140,052	
Totals	\$ 140,052	\$ 0

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows, and pension expense of resources in the accompanying government-wide financial statements as follows:

Governmental Activities:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 61,934,547	\$ 21,572,404	\$ 4,553,711	\$ 10,201,504
CalPERS	19,311,819	6,205,925	286,735	3,680,754
Totals	<u>\$ 81,246,366</u>	<u>\$ 27,778,329</u>	<u>\$ 4,840,446</u>	<u>\$ 13,882,258</u>

Business-Type Activities:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalPERS	<u>\$ 2,555,621</u>	<u>\$ 847,641</u>	<u>\$ 66,815</u>	<u>\$ 470,011</u>

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

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California 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.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2017-18.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), the employer contribution rate was 14.43% of applicable member earnings for fiscal year 2017-18. The District contributed \$5,196,712 to the plan for the fiscal year ended June 30, 2018.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2018 was 4.811%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.328% for the fiscal year ended June 30, 2018.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

District's proportionate share of the net pension liability	\$ 61,934,547
State's proportionate share of the net pension liability associated with the District	<u>36,639,955</u>
Total net pension liability attributed to District	<u><u>\$ 98,574,502</u></u>

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0641%
Proportion - June 30, 2016	<u>0.0678%</u>
Change - Increase (Decrease)	<u><u>-0.0037%</u></u>

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$10,201,504, which includes \$3,025,303 of support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 5,196,712	
Differences between expected and actual experience	229,038	\$ 1,061,813
Changes of assumptions	11,473,812	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	4,672,842	1,873,065
Net differences between projected and actual earnings on plan investments		<u>1,618,833</u>
Totals	<u><u>\$ 21,572,404</u></u>	<u><u>\$ 4,553,711</u></u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2019	\$ 1,140,379
2020	3,332,417
2021	2,433,170
2022	887,661
2023	1,771,532
2024	2,256,822

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2017. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions ^{1,2}:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ³	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.

² The assumptions for investment rate of return, inflation, and wage growth used in the June 30, 2016, financial reporting actuarial valuation were 7.60%, 3.00% and 3.75%, respectively.

³ Net of investment expenses, but gross of administrative expenses.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Methods and Assumptions (Concluded)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

<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%
Total	<u>100%</u>	

* 20-year average

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 90,939,577	\$ 61,934,547	\$ 38,394,999

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Plan Description, Benefits Provided, and Employees Covered (Concluded)

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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. The total plan contributions are determined through 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. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 15.531% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2018 was \$1,654,638.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported a liability of \$19,311,819 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

	Governmental Activities	Business-Type Activities
Proportion - June 30, 2017	0.0809%	0.0107%
Proportion - June 30, 2016	0.0786%	0.0104%
Change - Increase (Decrease)	0.0023%	0.0003%

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$3,680,754 for the governmental activities and \$470,011 for the business-type activities.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 1,654,638		\$ 245,591	
Differences between expected and actual experience	704,484		94,395	
Changes of assumptions	2,820,795	\$ 241,401	373,290	\$ 33,137
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	391,609	45,334	48,660	33,678
Net differences between projected and actual earnings on plan investments	634,399		85,705	
Totals	<u>\$ 6,205,925</u>	<u>\$ 286,735</u>	<u>\$ 847,641</u>	<u>\$ 66,815</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 1,277,251	\$ 153,312
2020	1,944,455	244,898
2021	1,408,674	185,437
2022	(365,828)	(48,412)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2017. Differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. Projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

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

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate (Concluded)

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

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Concluded)

	Governmental Activities		
	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 28,413,874	\$ 19,311,819	\$ 11,760,902
	Business-Type Activities		
	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 3,760,137	\$ 2,555,621	\$ 1,556,374

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

C. Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 10 - LONG-TERM LIABILITIES

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

A. Governmental Activities

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018	Due within One Year
Compensated Absences	\$ 327,621	\$ 336,418	327,621	\$ 336,418	\$ 336,418
General Obligation Bonds	44,100,000	60,000,000	2,475,000	101,625,000	6,845,000
Bond Premium	2,185,639	3,308,783	272,064	5,222,358	281,254
Capital Leases	10,976,477		1,423,169	9,553,308	1,469,726
Total OPEB Liability *	11,420,973	1,414,625	133,100	12,702,498	
Net Pension Liabilities	67,354,285	13,892,081		81,246,366	
Totals *	\$ 136,364,995	\$ 78,951,907	\$ 4,630,954	\$ 210,685,948	\$ 8,932,398

* Prior year balances have been adjusted to reflect the restatement discussed in Note 16.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM LIABILITIES (CONCLUDED)

A. Governmental Activities (Concluded)

The compensated absences, total OPEB liability, and net pension liabilities will be financed primarily by the General Fund. The general obligation bonds are an obligation of the Bond Interest and Redemption Fund and will be financed primarily with property tax collections. The capital leases will be financed by the General Fund, Capital Facilities Fund and County School Facilities Fund, appropriate.

B. Business-Type Activities

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018	Due within One Year
Net Pension Liabilities	\$ 2,060,315	\$ 495,306	\$ 0	\$ 2,555,621	\$ 0

The net pension liabilities will be financed by the Enterprise Fund.

NOTE 11 - FUND BALANCES

The fund balances as of June 30, 2018 are as follows:

	General Fund	Bond Interest and Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 10,000				\$ 10,000
Stores Inventory				\$ 4,879	4,879
Total Nonspendable	10,000			4,879	14,879
Restricted:					
Categorical Programs	834,663			636,968	1,471,631
Local Programs	4,069,067				4,069,067
Debt Service		\$ 9,730,203			9,730,203
Developer Fees				8,188,981	8,188,981
Measure U Bonds			\$ 59,448,526		59,448,526
School Facility Grant				178,625	178,625
Total Restricted	4,903,730	9,730,203	59,448,526	9,004,574	83,087,033
Committed:					
Deferred Maintenance				614,011	614,011
Adult Education				599,582	599,582
Total Committed	0	0	0	1,213,593	1,213,593
Assigned:					
Supplemental Expenses	540,348				540,348
One-Time Expenses	546,079				546,079
Textbook Purchases	651,938				651,938
Local Restrictions	50,732				50,732
Technology Purchases	1,500,000			1,188	1,501,188
Total Assigned	3,289,097	0	0	1,188	3,290,285
Unassigned:					
Economic Uncertainties	4,377,764				4,377,764
Other Unassigned	1,073,580				1,073,580
Total Unassigned	5,451,344	0	0	0	5,451,344
Total Fund Balances	\$ 13,654,171	\$ 9,730,203	\$ 59,448,526	\$ 10,224,234	\$ 93,057,134

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient \$3,025,303 of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education. The District is not legally responsible for these contributions.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017-18, the District participated in two joint powers authorities (JPAs) for purposes of pooling risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 14 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, the Contra Costa Solano Schools Insurance Authority (CCSSIA) for property and liability insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. Each JPA is governed by a Board, which controls the operations of the JPA, including selection of management and

approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

The District is subject to various other legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these other actions will not materially affect the financial position or results of operations of the District.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - RESTATEMENT OF NET POSITION

During fiscal year 2017-18, the District implemented Governmental Accounting Standards Board Statement No. 75 (GASB 75), as discussed in Note 1B. As a result, the beginning net position of the District has been restated to reflect the District's total OPEB liability and deferral of prior year contributions under GASB 75, which superseded guidance under GASB 45. In accordance with GASB 75, the beginning net position restatement does not reflect any adjustments related to deferred inflows or outflows of resources related to OPEBs, which result from differences between expected and actual experience or changes in assumptions or other inputs, as the information required to determine such amounts was not available during the first-year implementation of GASB 75.

The effects of the restatements on the current year financial statements are as follows:

	<u>Statement of Activities</u>
Net Position - July 1, 2017 (as originally stated)	<u>\$ 64,930,152</u>
Overstatement of OPEB Liability - GASB 45	7,142,206
Understatement of Deferred Outflows of Resources - OPEB	133,100
Understatement of Total OPEB Liability - GASB 75	<u>(11,420,973)</u>
Net Restatement	<u>(4,145,667)</u>
Net Position - July 1, 2017 (as restated)	<u><u>\$ 60,784,485</u></u>

NOTE 17 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 40,730,484	\$ 38,287,885	\$ 37,652,988	\$ (634,897)
Local Sources	32,104,618	34,466,555	35,113,814	647,259
Total LCFF Sources	72,835,102	72,754,440	72,766,802	12,362
Federal Revenue	1,978,555	2,202,499	2,079,949	(122,550)
Other State Revenue	6,744,580	8,426,032	8,378,807	(47,225)
Other Local Revenue	3,655,286	3,994,247	3,990,539	(3,708)
Total Revenues	85,213,523	87,377,218	87,216,097	(161,121)
<u>Expenditures</u>				
Current:				
Certificated Salaries	37,240,291	37,266,687	37,266,687	
Classified Salaries	10,080,251	9,988,622	9,988,622	
Employee Benefits	21,131,524	21,078,883	21,082,672	(3,789)
Books and Supplies	4,894,827	4,320,413	3,439,589	880,824
Services and Other				
Operating Expenditures	9,862,748	11,492,098	11,632,780	(140,682)
Capital Outlay	260,954	823,711	700,819	122,892
Debt Service:				
Principal Retirement	831,444	831,444	831,444	
Interest and Fiscal Charges	114,323	114,323	114,323	
Other Expenditures	2,348,174	2,481,504	2,496,604	(15,100)
Total Expenditures	86,764,536	88,397,685	87,553,540	844,145
Excess of Revenues (Under) Expenditures	(1,551,013)	(1,020,467)	(337,443)	683,024
<u>Other Financing (Uses)</u>				
Operating Transfers Out	0	(87,189)	(87,189)	0
Net Change in Fund Balances	(1,551,013)	(1,107,656)	(424,632)	\$ 683,024
Fund Balances - July 1, 2017	14,078,803	14,078,803	14,078,803	
Fund Balances - June 30, 2018	\$ 12,527,790	\$ 12,971,147	\$ 13,654,171	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 999,679
Interest on Total OPEB Liability	414,946
Benefit Payments	<u>(133,100)</u>
Net Change in Total OPEB Liability	1,281,525
Total OPEB Liability - Beginning	<u>11,420,973</u>
Total OPEB Liability - Ending	<u><u>\$ 12,702,498</u></u>
 Covered-employee Payroll	 \$ 43,947,481
 District's Total OPEB Liability as Percentage of Covered-employee Payroll	 28.90%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end reporting date. This is a 10-year schedule, however prior valuations were not rerun in accordance with GASB 75 and are therefore not presented.. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2018

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0067%	\$ 61,934,547	\$ 36,639,955	\$ 98,574,502	\$ 35,494,062	174.49%	69.46%
2017	0.0641%	51,829,470	29,505,593	81,335,063	31,936,235	162.29%	70.04%
2016	0.0678%	45,656,767	24,147,396	69,804,163	31,476,802	145.05%	74.02%
2015	0.0609%	35,607,982	21,501,636	57,109,618	27,140,158	131.20%	76.52%

*The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2018

Governmental Activities:

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0809%	\$ 19,311,819	\$ 10,315,733	187.21%	71.87%
2017	0.0786%	15,524,815	9,430,438	164.62%	73.90%
2016	0.0793%	11,685,897	8,777,011	133.14%	79.43%
2015	0.0767%	8,708,399	8,052,587	108.14%	83.38%

Business-Type Activities:

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0107%	\$ 2,555,621	\$ 1,365,129	187.21%	71.87%
2017	0.0104%	2,060,315	1,251,524	164.62%	73.90%
2016	0.0109%	1,604,119	1,204,817	133.14%	79.43%
2015	0.0105%	1,195,397	1,105,375	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	\$ 5,196,712	\$ 5,196,712	\$ -	36,013,250	14.43%
2017	4,401,229	4,401,229	-	34,985,922	12.58%
2016	3,566,271	3,566,271	-	33,236,449	10.73%
2015	2,743,666	2,743,666	-	30,897,140	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities:

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	\$ 1,654,638	\$ 1,654,638	\$ -	\$ 10,653,776	15.531%
2017	1,448,451	1,448,451	-	10,429,515	13.888%
2016	1,129,615	1,129,615	-	9,535,030	11.847%
2015	1,032,044	1,032,044	-	8,767,683	11.771%

Business-Type Activities:

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	\$ 245,591	\$ 245,591	\$ -	\$ 1,581,295	15.531%
2017	191,680	191,680	-	1,380,184	13.888%
2016	149,913	149,913	-	1,265,409	11.847%
2015	141,668	141,668	-	1,203,534	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in the Fund Balances budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP).

The excess of expenditures over appropriations in the General Fund as of June 30, 2018, was as follows:

	<u>Excess Expenditures</u>
Employee Benefits	\$ 3,789
Operating Expenditures	140,682
Other Expenditures	15,100

The District incurred unanticipated expenditures in the above expenditure classifications for which the budget was not revised.

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75, the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

C. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

The District has no assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

B. Benefit Terms

Since this is the first year of implementation under GASB 75, there are no changes to benefit terms to disclose.

C. Changes in Assumptions or other inputs

Since this is the first year of implementation under GASB 75, there are no changes to assumptions or other inputs to disclose.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes in Assumptions

During fiscal year 2016-17, CalSTRS completed an experience study for the period starting July 1, 2010 and ending on June 30, 2015. CalSTRS changed its mortality assumptions based on this experience study, which was adopted by the board in February 2017. As a result of the study, CalSTRS also changed the following assumptions used in determining the NPL as follows:

<u>Assumption</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.50%	3.75%

During fiscal year 2016-17, CalPERS changed the financial reporting discount rate from 7.65% to 7.15%.

SUPPLEMENTARY INFORMATION SECTION

LIBERTY UNION HIGH SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ORGANIZATION

The Liberty Union High School District was established in 1902 and is comprised of an area of approximately 350 square miles in Contra Costa County. There was no change in District boundaries during the year. The District operates three comprehensive high schools, one continuation high school, an independent study program and an adult education program.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Raymond Valverde	President	November 2020
Joanne Byer	Clerk	November 2018
Pauline Allred	Member	November 2018
Roy Ghiggeri	Member	November 2018
Yolanda Peña-Mendrek	Member	November 2020

ADMINISTRATION

Eric Volta
Superintendent

Erik Faulkner
Assistant Superintendent, Educational Services

Denise Rugani
Associate Superintendent, Human Resources

Tony Shah, Ed. D.
Assistant Superintendent, Administrative Services

Liz Robbins
Chief Business Officer

LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Deferred Maintenance	Cafeteria	Adult Education
<u>Assets</u>			
Deposits and Investments	\$ 884,608	\$ 496,267	\$ 431,090
Receivables		147,112	191,329
Stores Inventory		4,879	
Total Assets	<u>\$ 884,608</u>	<u>\$ 648,258</u>	<u>\$ 622,419</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 270,597	\$ 6,411	\$ 22,837
Total Liabilities	<u>270,597</u>	<u>6,411</u>	<u>22,837</u>
Fund Balances:			
Nonspendable		4,879	
Restricted		636,968	
Committed	614,011		599,582
Assigned			
Total Fund Balances	<u>614,011</u>	<u>641,847</u>	<u>599,582</u>
Total Liabilities and Fund Balances	<u>\$ 884,608</u>	<u>\$ 648,258</u>	<u>\$ 622,419</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

Capital Facilities	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
\$ 8,196,831	\$ 178,625	\$ 67,072	\$ 10,254,493
			338,441
			4,879
<u>\$ 8,196,831</u>	<u>\$ 178,625</u>	<u>\$ 67,072</u>	<u>\$ 10,597,813</u>
\$ 7,850		\$ 65,884	\$ 373,579
<u>7,850</u>		<u>65,884</u>	<u>373,579</u>
8,188,981	\$ 178,625		4,879
			9,004,574
			1,213,593
		1,188	1,188
<u>8,188,981</u>	<u>178,625</u>	<u>1,188</u>	<u>10,224,234</u>
<u>\$ 8,196,831</u>	<u>\$ 178,625</u>	<u>\$ 67,072</u>	<u>\$ 10,597,813</u>

**LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Adult Education</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 1,108,847		
Federal Revenue		\$ 857,013	\$ 189,183
State Revenue		56,977	1,204,907
Local Revenue	236,336	691,754	295,224
Total Revenues	<u>1,345,183</u>	<u>1,605,744</u>	<u>1,689,314</u>
<u>Expenditures</u>			
Current:			
Instruction			722,487
School Site Administration			541,477
Food Services		1,399,122	
Other General Administration			44,785
Plant Services	330,021	6,926	198,054
Facilities Acquisition and Construction	1,184,927		
Debt Service:			
Principal Retirement			
Interest and Issuance Costs			
Total Expenditures	<u>1,514,948</u>	<u>1,406,048</u>	<u>1,506,803</u>
Excess of Revenues Over (Under) Expenditures	(169,765)	199,696	182,511
<u>Other Financing Sources</u>			
Operating Transfers In			
Net Change in Fund Balances	(169,765)	199,696	182,511
Fund Balances - July 1, 2017	<u>783,776</u>	<u>442,151</u>	<u>417,071</u>
Fund Balances - June 30, 2018	<u>\$ 614,011</u>	<u>\$ 641,847</u>	<u>\$ 599,582</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 1,108,847
			1,046,196
			1,261,884
\$ 2,178,935	\$ 5,851	\$ 6,961	3,415,061
<u>2,178,935</u>	<u>5,851</u>	<u>6,961</u>	<u>6,831,988</u>
			722,487
			541,477
			1,399,122
			44,785
182,004			717,005
11,929		691,384	1,888,240
292,753	298,972		591,725
77,593	161,118		238,711
<u>564,279</u>	<u>460,090</u>	<u>691,384</u>	<u>6,143,552</u>
1,614,656	(454,239)	(684,423)	688,436
		87,189	87,189
1,614,656	(454,239)	(597,234)	775,625
6,574,325	632,864	598,422	9,448,609
<u>\$ 8,188,981</u>	<u>\$ 178,625</u>	<u>\$ 1,188</u>	<u>\$ 10,224,234</u>

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	P-2 Report	Annual Report
	9 - 12	9 - 12
Regular	7,724.37	7,729.24
Extended Year - Special Education	5.34	5.34
Special Education - Nonpublic	11.40	11.11
Extended Year Special Education - Nonpublic	1.23	1.23
Totals	<u>7,742.34</u>	<u>7,746.92</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	64,800	64,947	180	N/A	In Compliance
Grade 10	64,800	64,947	180	N/A	In Compliance
Grade 11	64,800	64,947	180	N/A	In Compliance
Grade 12	64,800	64,947	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524		\$ 686,481
School Breakfast Needy	10.553	13526		99,197
USDA Food Commodities	10.555	*		71,335
Subtotal Child Nutrition Cluster				<u>857,013</u>
Total U.S. Department of Agriculture				<u>857,013</u>
U.S. Department of Education:				
Passed Through CDE:				
Title I Basic Grant Low-Income & Neglected	84.010	14329		448,025
Title II Improving Teacher Quality	84.367	14341		65,667
Title III Limited English Proficient	84.365	14346		57,811
Carl D. Perkins Career and Technical Education: Secondary	84.048	14894		99,184
Carl D. Perkins Career and Technical Education: Adult	84.048	14893		27,582
Adult Education: Adult Basic Education and ESL	84.002A	14894		103,445
Adult Education: Adult Secondary Education	84.002	14893		24,394
Adult Education: English Literacy and Civics Education	84.002	14332		33,762
Passed Through Contra Costa County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B, Basic Local Assistance	84.027	13379		1,256,796
IDEA Part B Mental Health	84.027A	15197		90,383
Subtotal Special Education Cluster				<u>1,347,179</u>
Total U.S. Department of Education				<u>2,207,049</u>
U.S. Department of Health and Human Services:				
<i>Medicaid Cluster:</i>				
Passed Through San Joaquin County Office of Education:				
Medi-Cal Billing Option	93.778	10013		38,680
Passed Through Contra Costa County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		30,911
Subtotal Medicaid Cluster				<u>69,591</u>
Total U.S. Department of Health and Human Services				<u>69,591</u>
Total			<u>\$ 0</u>	<u>\$ 3,133,653</u>

* Pass-Through Entity's Identification Number is not available or not applicable

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue - Special Reserve Fund
June 30, 2018 Annual Financial and Budget Report Fund Balance	<u>\$ 12,152,429</u>	<u>\$ 1,500,000</u>
Adjustments / Reclassification Increasing (Decreasing) Fund Balances:		
General Ledger - Unposted Entry	1,742	
Reclassification of Fund Balance	<u>1,500,000</u>	<u>(1,500,000)</u>
Net Adjustments and Reclassifications	<u>1,501,742</u>	<u>(1,500,000)</u>
June 30, 2018 Audited Financial Statements Fund Balance	<u><u>\$ 13,654,171</u></u>	<u><u>\$ 0</u></u>

Auditor's Comments

The fund balances of the General Fund and Special Revenue - Special Reserve Fund have been combined for financial reporting purposes in accordance with Governmental Accounting Standards Board Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2018.

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND			
	(Budget) 2018-19	2017-18	2016-17	2015-16
Revenues and Other Financial Sources	\$ 93,072,814	\$ 87,216,097	\$ 86,319,844	\$ 83,682,906
Expenditures	92,282,129	87,553,540	84,070,276	78,968,567
Other Uses and Transfers Out	1,000,000	87,189	1,000,000	2,000,000
Total Outgo	93,282,129	87,640,729	85,070,276	80,968,567
Change in Fund Balance	(209,315)	(424,632)	1,249,568	2,714,339
Ending Fund Balance	\$ 13,444,856	\$ 13,654,171	\$ 14,078,803	\$ 12,829,235
Available Reserves	\$ 5,543,589	\$ 5,451,344	\$ 5,670,853	\$ 5,199,700
Reserve for Economic Uncertainties *	\$ 1,113,986	\$ 1,073,580	\$ 2,552,108	\$ 2,399,057
Available Reserves as a Percentage of Total Outgo	5.9%	6.2%	6.7%	6.4%
Total Long-Term Liabilities **	\$ 201,753,550	\$ 210,685,948	\$ 136,364,995	\$ 125,982,362
Average Daily Attendance at P-2	7,758	7,742	7,725	7,690

* Reported balances are a component of available reserves.

** Reported balance for fiscal year 2016-17 has been adjusted to reflect the restatement discussed in Note 16 of these financial statements.

The fund balance of the General Fund increased \$824,936 (6.4%) over the past two years. The fiscal year 2018-19 budget projects a decrease of \$209,315 (1.5%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses of \$1,249,568 and \$2,714,339 during fiscal years 2016-17 and 2015-16, respectively, and incurred an operating deficit of \$424,632 during fiscal year 2017-18.

Long-term liabilities increased \$84,703,586 over the past two years, due primarily to increases in the District's net pension liabilities and the current year issuance of \$60 million of general obligation bonds.

Average daily attendance (ADA) increased 52 ADA (less than 1%) over the past two years. The District anticipates an increase of 16 ADA, during fiscal year 2018-19.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

Average daily attendance 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 spans and in different programs.

C. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year but did not meet its LCFF funding target. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has not elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Expenditures of Federal Awards (Concluded)

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances, and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts consists of timing differences between when Federal program funds are recorded as revenues and when they are recorded as expenditures.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 3,126,145
Less: Current year Medi-Cal Billing revenue not expended in the current fiscal year	93.778	(23,403)
Less: Prior year Medi-Cal Administrative Activities Revenue expended in the current fiscal year	93.778	<u>30,911</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,133,653</u>

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Liberty Union High School District
Brentwood, California

Report on State Compliance

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state 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 *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Liberty Union High 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. Our audit does not provide a legal determination of Liberty Union High School District's compliance with those requirements.

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

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

Opinion on State Compliance

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2018-001**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Liberty Union High School District
Brentwood, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Union High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Liberty Union High School District
Brentwood, California

Report on Compliance for Each Major Federal Program

We have audited Liberty Union High 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 Liberty Union High School District's major federal programs for the year ended June 30, 2018. The 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 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 the 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 the Liberty Union High 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 the Liberty Union High School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

FINDINGS AND QUESTIONED COSTS SECTION

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<u> </u> Yes	<u> X </u> No
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Identification of major programs:

CFDA Numbers

Federal Programs

84.027 / 84.027A

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u> X </u> Yes	<u> </u> No
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State Awards

Any audit findings required to be reported in accordance with the 2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?

<u> X </u> Yes	<u> </u> No
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Type of auditor's report issued on compliance for state programs:

Unmodified

**LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2018.

**LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2018.

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018 - 001 / 10000

ATTENDANCE REGISTERS

<u>Criteria:</u>	In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education. Accordingly, attendance registers should be completed on a daily basis and reviewed and signed at the end of each week by the teachers who record student attendance, to attest to its accuracy and completeness.
<u>Condition:</u>	Certain teachers have made a conscious decision to ignore the District's established procedure for recording student attendance during each class period. As a result, teacher registers for these individuals are typically left blank, not submitted to the attendance clerk, or are submitted unsigned.
<u>Questioned Costs:</u>	None. Since the site utilizes period attendance, the attendance clerk has been able to perform time consuming alternative procedures to ensure that students who are absent from school are properly excluded from attendance by using the all-day absence code, when appropriate.
<u>Context:</u>	The condition was noted at Heritage High.
<u>Effect:</u>	The District did not comply with state attendance guidelines that require teachers to record attendance during each class period, which is reviewed and certified at the end of each week by the teachers who record the attendance. In addition, the teachers who fail to comply with state law, are increasing the workload for attendance clerks and other staff who must compensate for their inappropriate actions.
<u>Cause:</u>	The District has not actively enforced procedures that require teachers to record attendance during each class period, which is reviewed and certified at the end of each week by the teachers who record student attendance.
<u>Recommendation:</u>	The District should actively enforce procedures that require teachers to record attendance during each class period, which is reviewed and certified at the end of each week by the teachers who record student attendance.
<u>District Response:</u>	The District will work with the site admin to ensure they review the District's attendance procedures at a staff meeting as well as work closely with attendance clerks to ensure they are enforcing the proper procedures.

**LIBERTY UNION HIGH SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

There were no matters reported in the prior year audit report.

