LAS LOMITAS ELEMENTARY
SCHOOL DISTRICT
COUNTY OF SAN MATEO
MENLO PARK, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SAN MATEO COUNTY

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Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Las Lomitas Elementary School District
Menlo Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Las Lomitas Elementary School District (the "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

The District's 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The District currently funds this obligation on a pay-as-you go basis and through contributions to a trust. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, schedule of contributions for other postemployment benefits, and schedule of changes in net OPEB liability, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, combining statements – General Fund, organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards, and the reconciliation of the Annual Financial Budget report to the audited financial statements, as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining statements – General Fund, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, schedule of financial trends and analysis, and the reconciliation of the Annual Financial Budget report to the audited financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the budget information included in the schedule of financial trends and analysis, 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 combining and individual nonmajor fund financial statements, combining statements – General Fund, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, schedule of financial trends and analysis (except for the budget information), and the reconciliation of the Annual Financial Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and budget information included in the schedule of financial trends and analysis have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

November 9, 2018
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Management's Discussion and Analysis

T leaThis discussion and analysis of the Las Lomitas Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017-18 are as follows:

- Total net position from governmental activities was $10,653,187 as of June 30, 2018.

- General revenue accounted for $29,582,970 of the District's $31,939,602 in total revenue.

- The District's total assets increased by $31,731,437, or 40.95%, from June 30, 2017 mostly because of additions to capital assets. Total liabilities increased by $37,640,415 or 55.59% from June 30, 2017, mostly because of a $30,000,000 bond issuance and increases to net pension liabilities as required by GASB 75.

- The District had $69,980,763 in expenditures for all governmental funds, excluding other financing uses.

- Among major funds, the General Fund had $27,877,011 in revenues and $25,955,066 in expenditures, exclusive of interfund transfers. The fund balance in the General Fund increased by $1,881,945 from June 30, 2017 to June 30, 2018.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Las Lomitas Elementary School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the District-wide financial statements and provide information about the activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Las Lomitas Elementary School District, the General Fund is by far the most significant fund.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-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, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining 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 section provides further explanations and additional support for the financial statements.

District-Wide Financial Statements - Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2017 - 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and change in net position. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, and pupil transportation. The District does not have any business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The District is the trustee for assets that belong to the La Entrada Student Council. The District is responsible for ensuring that the assets reported are used only for intended purposes and by those to whom the assets belong. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2018.

Table 1 - Summary of Statement of Net Position

	2018	2017	Change	Percentage Change
Assets				
Current & Other Assets	$ 39,115,151	$ 43,624,083	$ (4,508,932)	-10.34%
Capital Assets	70,106,032	33,865,663	36,240,369	107.01%
Total Assets	$ 109,221,183	$ 77,489,746	$ 31,731,437	40.95%
Total Deferred Outflows of Resources	$ 8,797,445	$ 4,843,451	$ 3,953,994	44.94%
Liabilities				
Current Liabilities	$ 6,947,531	$ 4,043,854	$ 2,903,677	71.80%
Long-term Liabilities	98,400,266	63,663,528	34,736,738	54.56%
Total Liabilities	$ 105,347,797	$ 67,707,382	$ 37,640,415	55.59%
Total Deferred Outflows of Resources	$ 2,017,644	$ 1,294,432	$ 723,212	35.84%
Net Position				
Net Investment in Capital Assets	$ 11,529,914	$ 10,220,639	$ 1,309,275	12.81%
Restricted	7,008,214	6,922,497	85,717	1.24%
Unrestricted	(7,884,941)	(3,811,753)	(4,073,188)	-106.86%
Total Net Position	$ 10,653,187	$ 13,331,383	$ (2,678,196)	-20.09%

The District's net position was $10,653,187. Of this amount $11,529,914 was invested in capital assets net of debt.

Table 2 shows the change in net position for fiscal year 2017-18.

Table 2 - Summary of Changes in Statement of Activities				
	2018	2017	Change	Percentage Change
Revenues				
Program revenues	$ 2,356,632	$ 1,776,563	$ 580,069	32.65%
General revenues:				
Property taxes	22,951,884	22,663,159	288,725	1.27%
Grants and entitlements - unrestricted	1,449,097	1,541,721	(92,624)	-6.01%
Other	5,181,989	4,831,046	350,943	7.26%
Total Revenues	31,939,602	30,812,489	1,127,113	3.66%
Program Expenses				
Instruction	19,455,124	19,743,470	(288,346)	-1.46%
Instruction-related services	2,497,553	2,214,952	282,601	12.76%
Pupil services	1,775,570	1,541,219	234,351	15.21%
General administration	2,444,402	2,266,476	177,926	7.85%
Plant services	2,290,446	1,978,415	312,031	15.77%
Other outgo	105,649	137,363	(31,714)	-23.09%
Interest on long-term debt	1,853,859	1,186,677	667,182	56.22%
Total Expenses	30,422,603	29,068,572	1,354,031	4.66%
Change in Net Position	1,516,999	1,743,917	(226,918)	-13.01%
Begininng Net Position	13,331,383	11,587,466	1,743,917	15.05%
Prior Period Adjustment - GASB 75 OPEB	(4,195,195)	-	(4,195,195)	-100.00%
Begininng Net Position as Adjusted	9,136,188	11,587,466	(2,451,278)	-21.15%
Ending Net Position	$ 10,653,187	$ 13,331,383	$ (2,678,196)	-20.09%

The District's total revenues increased by 3.66% from 2016-17 to 2017-18. Local property taxes in 2017-18 increased by 1.27% over the prior year. These local taxes are a combination of incremental increases in residential property taxes, restricted to service the debt on the District's Measure S general obligation bonds, and regular residential property taxes.

Governmental Activities

Direct Instruction Costs comprise 68 percent of district expenses. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by General Fund Revenues.

Table 3 - Net Cost of Services

	2018	2017	Change	Percentage Change
Instruction	$ 17,832,743	$ 18,296,900	$ (464,157)	-2.54%
Instruction-related services	2,392,881	2,147,085	245,796	11.45%
Pupil services	1,716,276	1,506,146	210,130	13.95%
General administration	2,421,179	2,247,376	173,803	7.73%
Plant services	2,290,446	1,978,415	312,031	15.77%
Other outgo	(441,413)	(70,590)	(370,823)	525.32%
Interest on long-term debt	1,853,859	1,186,677	667,182	56.22%
Total Net Cost of Services	$ 28,065,971	$ 27,292,009	$ 773,962	2.84%

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-Related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities to keep the school grounds, buildings, and equipment in an effective working condition.

Other Outgo includes payment to the County Office of Education and other school districts for providing services for Special Education students.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The District's Funds

The District's governmental funds report a combined fund balance of $33,287,620, which is an decrease from last year's total of $39,162,870. Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances				
	2018	2017	Change	Percentage Change
General Fund	$ 15,873,487	$ 13,991,542	$ 1,881,945	13.5%
Building Fund	9,992,744	17,357,860	(7,365,116)	-42.4%
Bond Interest and Redemption Fund	5,147,995	5,723,342	(575,347)	-10.1%
Nonmajor Funds	2,273,394	2,090,126	183,268	8.8%
Total Fund Balances	$ 33,287,620	$ 39,162,870	$ (5,875,250)	-15.0%

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on the modified accrual basis of accounting.

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2017-18 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of $1,032,598 from the original to final budget. The General Fund budget basis revenue increased by $666,229 from original to final budgets.

Capital Assets

At the end of the fiscal year 2017-18, the District had $92,498,896 invested in land, buildings, furniture and equipment. Table 5 summarizes the District's capital assets, net of depreciation.

Table 5 - Summary of Capital Assets Net of Depreciation				
	2018 Net Capital Asset	2017 Net Capital Asset	Change	Percentage Change
Land	$ 3,502,038	$ 3,502,038	$ -	0.00%
Construction in progress	43,236,437	6,060,449	37,175,988	613.42%
Site Improvements	1,161,782	1,301,749	(139,967)	-10.75%
Buildings and Improvements	21,426,131	22,186,074	(759,943)	-3.43%
Property and Equipment	779,644	815,353	(35,709)	-4.38%
Total Capital Assets - Net	$ 70,106,032	$ 33,865,663	$ 36,240,369	107.01%

Long Term Liabilities

Table 6 - Summary of Long-term Liabilities				
	2018	2017	Change	Percentage Change
General Obligation Bonds	$ 63,485,000	$ 37,545,000	$ 25,940,000	69.09%
Unamortized Bond Premiums	5,319,961	3,788,422	1,531,539	40.43%
Net Pension Liabilities	26,159,836	22,143,694	4,016,142	18.14%
Net OPEB Liability	3,253,547	-	3,253,547	100.00%
Compensated Absences	181,922	186,412	(4,490)	-2.41%
Total Long-term Liabilities	$ 98,400,266	$ 63,663,528	$ 34,736,738	54.56%

On March 11, 2016, the District issued $11,495,000 of 2016 General Obligation Refunding Bonds. The bonds refunded $12,515,000 of 2005 General Obligation Refunding Bonds resulting in nearly $1 million in savings to local tax payers.

In November of 2013, the voters of the District approved a new bond measure for the District to repair and improve aging schools by issuing $60,000,000 in bonds at legal rates, with citizens' oversight, and no money for administrators. The District will build classrooms for increased student enrollment, update or replace aging classrooms to meet current health and safety codes, renovate heating and electrical systems to save on energy costs, support 21st century instructional technology, and acquire, repair, or construct sites, facilities and equipment. In fiscal year 2016, the District issued $30,000,000 from the approved bond measure and refunded all outstanding bonds for a total issuance of $41,495,000. In fiscal year 2018 the District issued $30,000,000 from the approved bond measure for a total issuance of $71,495,000.

Factors Bearing on the District's Future

The District's 2018-19 budget and multi-year projections include projected movement on the salary schedules for units earned and years of service. Negotiated salary increases for employees are added to the budget at the time of the specific employee group's settlement. Certificated staffing remained static in the multi-year projections as a result of attrition, to maintain instructional program needs, and as a result of no increase to student enrollment. Classified staffing increased by the addition of custodial and bus driver to address new classroom space and school schedule changes.

Enrollment has seen a slight decline in the current and last year. The District has been studying this pattern and is budgeting for continued flat or slight declines in enrollment. Costs for Special Education services continue to increase and the District is constantly differentiating programs to better serve all of its students and to provide improved services to targeted students within the District.

As the state moves towards full implementation of the Local Control Funding Formula, Las Lomitas Elementary School District will remain a Basic Aid (Community Funded) district. This means that the District will continue to rely on local property taxes as the largest single source of revenue. Increases to revenue will primarily be determined by taxes assessed on local property valuations and the stability of this revenue will vary with the local economy. The District's property tax income for 2018-19 is projected to be 5.9% more than in 2017-18. In subsequent years property tax revenues are projected to increase by 5%.

Ongoing sources of State Revenue are limited to Lottery funding, the Mandated Cost Block Grant, and the STRS On Behalf Contribution. Flat funding for state revenue is budgeted for the two out years in the multi-year projections. The Las Lomitas Education Foundation grant to the District is budgeted for $1,800,000 and sources indicate the Foundation will meet this base amount. Parcel tax revenue is expected to remain constant as the number of seniors eligible for exemption has stabilized since approving the tax in 2007. Rental income is adjusted annually according to the individual lease agreements with the District's three tenants.

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 Steven Fuentes, Chief Business Officer, Las Lomitas Elementary School District, 1011 Altschul Avenue, Menlo Park, CA 94025.

Basic Financial Statements

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
Assets		
Current assets:		
Cash and investments	$	38,272,466
Accounts receivable		839,053
Other current assets		3,632
Total current assets		39,115,151
Noncurrent assets:		
Capital assets:		
Nondepreciable		46,738,475
Depreciable - net		23,367,557
Total noncurrent assets		70,106,032
Total Assets	$	109,221,183
Deferred Outflows of Resources		
Deferred loss on early retirement of long-term debt	$	236,099
OPEB adjustments		657,664
Pension adjustments		7,903,682
Total Deferred Outflows of Resources	$	8,797,445
Liabilities		
Current liabilities:		
Accounts payable	$	5,666,813
Unearned revenue		160,718
Accrued interest		1,120,000
Total current liabilities		6,947,531
Long-term liabilities:		
Due within one year:		
General obligation bonds payable		2,345,000
Due after one year:		
General obligation bonds payable		61,140,000
Unamortized bond premium		5,319,961
Net pension liability		26,159,836
Compensated absences payable		181,922
Total due after one year		96,055,266
Total long-term liabilities		98,400,266
Total Liabilities	$	105,347,797
Deferred Inflows of Resources		
Pension adjustments	$	2,017,644
Total Deferred Inflows of Resources	$	2,017,644
Net Position		
Net investment in capital assets	$	11,529,914
Restricted for:		
Debt service		5,147,995
Educational programs		1,860,219
Total restricted net position		7,008,214
Unrestricted		(7,884,941)
Total Net Position	$	10,653,187

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 19,455,124	$ 53,756	$ 1,568,625	$ (17,832,743)
Instruction-related services:				
Supervision of instruction	680,900	4,525	30,277	(646,098)
Instruction library, media and technology	400,631	-	13,877	(386,754)
School site administration	1,416,022	15	55,978	(1,360,029)
Pupil services:				
Home-to-school transportation	597,319	-	-	(597,319)
Food services	39,310	-	-	(39,310)
All other pupil services	1,138,941	8,018	51,276	(1,079,647)
General administration:				
Data processing	818,325	-	5,303	(813,022)
All other general administration	1,626,077	-	17,920	(1,608,157)
Plant services	2,290,446	-	-	(2,290,446)
Other outgo	105,649	2,045	545,017	441,413
Interest on long-term debt	1,853,859	-	-	(1,853,859)
Total governmental activities	$ 30,422,603	$ 68,359	$ 2,288,273	(28,065,971)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				18,599,766
Taxes levied for debt service				3,146,897
Taxes levied for other specific purposes				1,205,221
Federal and state aid not restricted to specific purposes				1,449,097
Interest and investment earnings				270,555
Rental income				2,133,242
Miscellaneous				2,778,192
Total general revenues				29,582,970
Change in net position				1,516,999
Net position beginning				13,331,383
Prior period adjustment - GASB 75 OPEB				(4,195,195)
Net position beginning as adjusted				9,136,188
Net position ending				$ 10,653,187

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 15,842,150	$ 15,059,479	$ 5,127,090	$ 2,243,747	$ 38,272,466
Accounts receivable	696,979	91,522	20,905	29,647	839,053
Due from other funds	14,217	53,586	-	-	67,803
Other assets	3,632	-	-	-	3,632
Total Assets	$ 16,556,978	$ 15,204,587	$ 5,147,995	$ 2,273,394	$ 39,182,954
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 469,187	$ 5,197,626	$ -	$ -	$ 5,666,813
Due to other funds	53,586	14,217	-	-	67,803
Unearned revenue	160,718	-	-	-	160,718
Total Liabilities	683,491	5,211,843	-	-	5,895,334
Fund balances:					
Nonspendable:					
Revolving fund	1,000	-	-	-	1,000
Prepaid expenses	3,632	-	-	-	3,632
Restricted for:					
Capital projects	-	9,992,744	-	-	9,992,744
Educational programs	1,860,219	-	-	-	1,860,219
Debt service	-	-	5,147,995	-	5,147,995
Committed for:					
Repairs and maintenance	-	-	-	1,461,604	1,461,604
Assigned for:					
Capital projects	7,963,328	-	-	95,820	8,059,148
Educational programs	3,950,103	-	-	-	3,950,103
Site repairs	-	-	-	715,970	715,970
Unassigned:					
Economic uncertainties	779,873	-	-	-	779,873
Unappropriated	1,315,332	-	-	-	1,315,332
Total Fund Balances	15,873,487	9,992,744	5,147,995	2,273,394	33,287,620
Total Liabilities and Fund Balances	$ 16,556,978	$ 15,204,587	$ 5,147,995	$ 2,273,394	$ 39,182,954

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds			$ 33,287,620
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $92,498,896 and the accumulated depreciation is $22,392,864.			70,106,032
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.			(1,120,000)
The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred inflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not included in the governmental fund statements.			236,099
The differences between projected and actual amounts in pension and OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:			
OPEB adjustments:			
Contribution subsequent to measurement date			657,664
Pension adjustments:			
Difference between actual and expected experience			(25,471)
Difference between actual and expected earnings			(284,098)
Change in assumptions			4,502,957
Differences in proportionate share of contributions			606,667
Changes in employer's proportionate shares			(1,228,622)
Contribution subsequent to measurement date			2,314,605
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:			
General obligation bonds	$	63,485,000	
Net pension liabilities		26,159,836	
Unamortized bond premium		5,319,961	
Net OPEB liability		3,253,547	
Compensated absences (vacation)		181,922	(98,400,266)
Total net position - governmental activities			$ 10,653,187

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 19,437,585	$ -	$ -	$ 158,000	$ 19,595,585
Federal	274,437	-	-	-	274,437
Other state	1,914,759	-	6,581	-	1,921,340
Other local	6,250,230	411,931	3,190,953	295,125	10,148,239
Total revenues	27,877,011	411,931	3,197,534	453,125	31,939,601
Expenditures:					
Instruction	17,647,661	-	-	-	17,647,661
Instruction-related services:					
Supervision of instruction	634,790	-	-	-	634,790
Instruction library, media and technology	323,794	-	-	-	323,794
School site administration	1,336,450	-	-	-	1,336,450
Pupil services:					
Home-to-school transportation	541,301	-	-	-	541,301
Food services	37,872	-	-	-	37,872
All other pupil services	1,088,524	-	-	-	1,088,524
General administration:					
Data processing	788,395	-	-	-	788,395
All other general administration	1,553,075	-	-	-	1,553,075
Plant services	1,937,555	-	-	99,846	2,037,401
Facility acquisition and construction	-	37,562,047	-	170,011	37,732,058
Other outgo	105,649	-	-	-	105,649
Debt service:					
Principal	-	-	4,060,000	-	4,060,000
Interest and fees	-	215,000	1,878,793	-	2,093,793
Total expenditures	25,995,066	37,777,047	5,938,793	269,857	69,980,763
Excess (deficiency) of revenues over (under) expenditures	1,881,945	(37,365,116)	(2,741,259)	183,268	(38,041,162)
Other financing sources (uses):					
Proceeds from long-term debt	-	30,000,000	-	-	30,000,000
Premium from bond issuance	-	-	2,165,912	-	2,165,912
Total other financing sources (uses)	-	30,000,000	2,165,912	-	32,165,912
Net change in fund balances	1,881,945	(7,365,116)	(575,347)	183,268	(5,875,250)
Fund balances beginning	13,991,542	17,357,860	5,723,342	2,090,126	39,162,870
Fund balances ending	$ 15,873,487	$ 9,992,744	$ 5,147,995	$ 2,273,394	$ 33,287,620

The notes to basic financial statements are an integral part of this statement.

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

Total net change in fund balances - governmental funds	$ (5,875,250)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions of $37,366,414 is greater than than depreciation expense of $1,126,041.	36,240,373
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Proceeds from bond issuance	(30,000,000)
Proceeds from bond premiums	(2,165,912)
Repayment of bond principal	4,060,000
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt:	634,373
In governmental funds, deferred loss on early retirement of long-term debt is recognized as other finances uses. In the government-wide statements, the deferred losses on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:	(94,439)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(1,348,589)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation time earned was greater than the amount used by:	4,490
In governmental funds, actual contributions to pension and OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	361,953
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(300,000)
Changes in net position of governmental activities	$ 1,516,999

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Student Body Agency Fund
Assets	
Cash on hand and in banks	$ 7,943
Total Assets	$ 7,943
Liabilities	
Due to student group	$ 7,943
Total Liabilities	$ 7,943

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Las Lomitas Elementary School District (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).

B. Reporting Entity

The District was organized under the laws of the State of California. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District provides educational services to grades kindergarten through eighth and operates one elementary school and one middle school. The District's combined financial statements include the accounts of all its operations.

Component Units:

The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2018, the District does not have any component units and is not a component unit of any other reporting entity.

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 non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide 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 the 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 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 that 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.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. 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, deferred outflows of resources, current liabilities and deferred inflows of resources 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.

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. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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 60 days after year-end.

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.

Deferred Outflows/Deferred Inflows:

Deferred outflows of resources are consumptions of net assets by the government that are applicable to a future reporting period. For example, prepaid items and deferred charges.

Deferred inflows of resources are acquisitions of net assets by the government that are applicable to a future reporting period. For example, unearned revenue and advance collections.

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 deferred inflows of resources from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources from unearned revenue.

Expenses/Expenditures:

On the 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Projects.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue fund:

- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of district property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects funds:

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

- The *Special Reserve Fund for Capital Projects* exists primarily to account for major repairs of buildings and operational systems, construction or remodeling, new or replacement equipment, and any other qualifying capital expenditures.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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. 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 on June 30.

H. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and STRS. 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

I. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

J. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and 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:

Assets	Years
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

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 and timing requirements have been met. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue in the funds is recorded for grant and entitlement receivables that are not available within ninety days of year end and for cash receipts from grants and entitlements for which the District has not met the eligibility requirements for recognizing revenue. Security deposits for leased facilities are recorded as unearned in the government-wide statements and deferred in the fund statements.

6. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

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

8. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.

- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve fund for Other than Capital Outlay (Special Reserve Fund) with the General Fund because those funds do not meet the definition of a special revenue fund as defined by GASB 54.

9. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Educational Program restrictions reflect the amounts to be expended on specific school programs that are legally restricted.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

10. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. 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 March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 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 (March 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 alternate 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 revenue limit sources by the District.

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group (SMCSIG) public entity risk pools currently operating as common risk management and insurance programs. The District pays an annual premium for its property and casualty, workers' compensation, medical, unemployment and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

12. Interfund Transactions

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

13. Accounting Estimates

The presentation 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 the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

K. Implemented New Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The provisions in Statement 75 are effective for 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). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous net OPEB liability as of June 30, 2017 in the amount of $4,195,195 has been shown as a restatement of net position in the Statement of Activities as a separate line item.

GASB Statement No. 86, Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. This statement did not have an impact on the District's financial statements.

L. Upcoming New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 87, *Leases* - The primary objective of this Statement is to increase the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is currently evaluating the impact on the financial statements and ensuring the required data will be available for disclosure.

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2018 is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in county treasury investment pool	$ 38,271,464	$ 38,098,477	AA
Cash with fiscal agent	2	2	n/a
Cash in revolving fund	1,000	1,000	n/a
Total Government-Wide Cash and Investments	38,272,466	38,099,479	
Fiduciary Funds:			
Cash in banks	7,943	7,943	n/a
Total Cash and Investments	$ 38,280,409	$ 38,107,422	

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2018, the bank balance of the District's bank accounts was fully insured by FDIC.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2018:

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

Policies and Practices

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

1. 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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San Mateo Investment Pool. The pool has a fair value of approximately $1.468 billion and an amortized book value of $1.475 billion.

2. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

Custodial Credit Risk – Deposits

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

3. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2018:

Accounts Receivable	General Fund	Building Fund	Capital Fac. Fund	Nonmajor Funds	Total
Federal Government	$ 220,277	$ -	$ -	$ -	$ 220,277
State Government	184,232	-	-	-	184,232
Local Resources	104,828	-	-	-	104,828
Other Resources	187,643	91,522	22,865	27,687	329,717
Total Accounts Receivable	$ 696,979	$ 91,522	$ 22,865	$ 27,687	$ 839,053

NOTE 4 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)
Interfund receivables and payables consisted of $14,217 receivable in the General Fund from the Building Fund for the purpose of reimbursing the general fund for capital expenditures.

Interfund Transfers
There were no interfund transfers that required disclosure for the fiscal year ended June 30, 2018.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets consisted of the following as of June 30, 2018:

Capital Assets	Balance July 01, 2017	Adjustments & Additions	Deletions	Balance June 30, 2018
Land - not depreciable	$ 3,502,038	$ -	$ -	$ 3,502,038
Construction in progress	6,060,449	37,175,988	-	43,236,437
Site improvements	5,405,423	-	-	5,405,423
Buildings and improvements	37,640,832	-	-	37,640,832
Furniture and equipment	2,523,744	190,422	-	2,714,166
Total capital assets	55,132,486	37,366,410	-	92,498,896
Less accumulated depreciation for:				
Site improvements	4,103,674	139,967	-	4,243,641
Buildings and improvements	15,454,758	759,943	-	16,214,701
Furniture and equipment	1,708,391	226,131	-	1,934,522
Total accumulated depreciation	21,266,823	1,126,041	-	22,392,864
Total capital assets - net depreciation	$ 33,865,663	$ 36,240,369	$ -	$ 70,106,032

Depreciation expense was charged to governmental activities as follows:

Function	Amount
Instruction	$ 776,347
Supervision of instruction	22,011
Instruction library, media and technology	64,545
School site administration	28,836
Home-to-school transportation	35,468
All other pupil services	9,093
All other general administration	14,042
Plant services	175,699
Total depreciation expense	$ 1,126,041

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2018:

Long-term Debt	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
General obligation bonds	$ 37,545,000	$ 30,000,000	$ 4,060,000	$ 63,485,000	$ 2,345,000
Unamortized bond premium	3,788,422	2,165,912	634,373	5,319,961	-
Net pension liability	22,143,694	4,016,142	-	26,159,836	-
Net OPEB Liability	-	3,253,547	-	3,253,547	-
Compensated absences	186,412	-	4,490	181,922	-
Total Long-term Debt	$ 63,663,528	$ 39,435,601	$ 4,698,863	$ 98,400,266	$ 2,345,000

Payments on the general obligation bonds are made by the bond interest and redemption fund from local revenues. The accrued vacation will be paid by the fund for which the employee worked.

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous net OPEB liability as of June 30, 2017 in the amount of $4,195,195 has been shown as a restatement of net position in the Statement of Activities as a separate line item.

NOTE 7 - LONG-TERM DEBT

Through elections, the District received authorization to issue general obligation bonds that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

On March 11, 2015, the District issued $11,495,000 of 2015 General Obligation Refunding Bonds. The bonds were issued under and pursuant to a Resolution of the Board of Education. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. The proceeds of the Bonds were used to refund a portion of the outstanding principal of the District's 2005 General Obligation Refunding Bonds in the amount of $12,515,000. The proceeds of the prior bonds were used to defease various General Obligation Bonds. The proceeds of the new bonds have been used to purchase U.S. Government Securities that were placed in separate irrevocable trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore was removed as a liability from the District's government-wide financial statements. The advance refunding of the 2005 general obligation refunding bonds resulted in a difference of $253,678 between the reacquisition price and the net carrying value amount of the old debt. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged (amortized) to operations through fiscal year 2021 using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 5 years by $520,968 and received a premium of $1,392,509.

On March 11, 2015 the District issued $30,000,000 of 2013 General Obligation Bonds, Series A, to finance construction projects and facilities improvements. Gross proceeds from the bond were $32,673,476, which included a premium of $2,673,476. Net proceeds of $32,370,550 were deposited with the County in the District's name, after bond issuance costs of $211,815 and underwriter's discounts of $91,111. Of the net proceeds deposited, $29,788,185 was deposited into the Measure S building fund and $2,585,365 was recorded in the bond interest and redemption fund.

On October 3, 2017 the District issued $30,000,000 of 2013 General Obligation Bonds, Series B, to finance construction projects and facilities improvements. Gross proceeds from the bond were $32,165,912, which included a premium of $2,165,912. Net proceeds of $32,165,912 were deposited with the County in the District's name, after bond issuance costs of $215,000 and underwriter's discounts of $93,633. Of the net proceeds deposited, $29,785,000 was deposited into the Measure S building fund.

The outstanding General Obligation Bond debt consisted of the following as of June 30, 2018:

Bonds	Year Issued	Interest Rate	Year of Maturity	Original Issue	Outstanding July 01, 2017	Issued	Redeemed	Outstanding June 30, 2018
2013 GOB, Series A	2015	1.75-5%	2041	$ 30,000,000	$ 28,060,000	-	$ 2,035,000	$ 26,025,000
2013 GOB, Series B	2018	1.75-5%	2040	30,000,000	-	30,000,000	-	30,000,000
2015 GOB Refunding	2015	1.75-5%	2021	11,495,000	9,485,000	-	2,025,000	7,460,000
Total Bonds				$ 71,495,000	$ 37,545,000	$ 30,000,000	$ 4,060,000	$ 63,485,000

The annual debt service requirements of the General Obligation Bonds consisted of the following as of June 30, 2018:

Year Ending June 30	Principal	Interest	Total
2019	$ 2,345,000	$ 2,344,654	$ 4,689,654
2020	3,950,000	2,367,563	6,317,563
2021	3,475,000	2,210,663	5,685,663
2022	650,000	2,121,538	2,771,538
2023	780,000	2,098,463	2,878,463
2024-2028	6,290,000	9,425,640	15,715,640
2029-2033	11,650,000	8,365,664	20,015,664
2034-2038	18,715,000	4,902,198	23,617,198
2039-2042	15,630,000	1,131,495	16,761,495
Total Debt Service	$ 63,485,000	$ 34,967,878	$ 98,452,878

NOTE 8 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The SMCSIG arranges and provides workers' compensation, medical, property and liability insurance for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA.

The following is a summary the JPA financial statement information:

	SMCSIG June 30, 2018
Total Assets & Deferred Outflows	$ 25,857,722
Total Liabilities & Deferred Inflows	10,504,013
Total Equity	15,353,709
Total Revenues	45,214,456
Total Expenditures	42,672,851

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NOTE 10 - CALPERS PENSION PLAN

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. 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.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	7.0%	6.0%
Required employer contribution rates	15.531%	15.531%

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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

For the year ended June 30, 2018, the District contributed $572,768 in to the Plan.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	$ 6,739,246

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan 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 for the Plan as of June 30, 2017 and 2018 was as follows:

	CalPERS
Proportion - June 30, 2017	0.02940%
Proportion - June 30, 2018	0.02823%
Change - Increase/(Decrease)	-0.00117%

For the year ended June 30, 2018, the District recognized pension expense of $1,319,404 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ 905,027	$ -
Differences between Expected and Actual Experience	241,439	-
Differences between Projected and Actual Investment Earnings	233,132	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	4,882
Change in Employer's Proportion	-	45,431
Pension Contributions Made Subsequent to Measurement Date	572,768	-
Total	$ 1,952,366	$ 50,313

The District reported $572,768 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	**Outflows/(Inflows) of Resources** **CalPERS**
2019	$ 459,442
2020	582,652
2021	414,854
2022	(127,663)
2023	-
Thereafter	-
Total	$ 1,329,285

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies by age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

		CalPERS
1% Decrease		6.15%
Net Pension Liability	$	9,915,591
1% Decrease		7.15%
Net Pension Liability	$	6,739,246
1% Increase		8.15%
Net Pension Liability	$	4,104,202

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

NOTE 11 - CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2018, the District contributed $1,741,837 to the Plan.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 19,420,590
State	7,218,633
Total	$ 26,639,223

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan 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 state contributed 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	CalSTRS
Proportion - June 30, 2017	0.02200%
Proportion - June 30, 2018	0.02100%
Change - Increase/(Decrease)	-0.00100%

For the year ended June 30, 2018, the District recognized pension expense of $1,168,088 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 3,597,930	$ -
Differences between Expected and Actual Experience	-	266,910
Differences between Projected and Actual Investment Earnings	-	517,230
Differences between Employer's Contributions and Proportionate Share of Contributions	611,549	-
Change in Employer's Proportion	-	1,183,191
Pension Contributions Made Subsequent to Measurement Date	1,741,837	-
Total	$ 5,951,316	$ 1,967,331

The District reported $1,741,837 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Outflows/(Inflows) of Resources CalSTRS
2019	$ (6,232)
2020	749,243
2021	470,783
2022	(35,842)
2023	461,236
Thereafter	602,960
Total	$ 2,242,148

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by age and service. Approximately 6% average over career including inflation

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) Derived using CalSTRS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan'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.

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

Asset Class	New Strategic Allocation	Long-Term Expected Rate of Return [1]
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

[1] 20 year average

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

		CalSTRS
1% Decrease		6.10%
Net Pension Liability	$	28,515,900
1% Decrease		7.10%
Net Pension Liability	$	19,420,590
1% Increase		8.10%
Net Pension Liability	$	12,039,510

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

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District's Postemployment Healthcare Plan (the OPEB plan) is a single-employer defined benefit healthcare plan.

Benefits

The District offers medical and prescription drug benefits to its employees and retirees through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. A separate three-tiered rate structure applies to retirees under the age of 65. A choice of 13 medical/prescription drug options are offered to eligible retirees. Delta Dental and VSP Vision are also offered by the District outside of CVT.

Certificated, Classified (SEIU), Certificated Management, Classified Management, and Confidential employees who have attained age 55 and completed at least 15 years of continuous service with the District immediately prior to retirement are eligible to receive District-paid medical, prescription drug, dental and vision coverage for the retiree only up to a District cap of $783 per month, effective October 1, 2016. The cap is frozen and applies to all current and future retirees.

Classified employees who are less than 50% full-time are not eligible for District-paid retiree health benefits under the District retiree health policy. Classified employees who are between 50% and 100% full-time receive a pro-rated portion of the District's contribution upon retirement. Groups other than Classified are required to have been full-time employees in order to receive District-paid benefits.

District-paid benefits continue for 7 years but not beyond age 65. For employees hired after July 1, 2015, benefits continue for up to 5 years only.

Employees Covered by Benefit Terms

At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	57
Inactive employees	19
Total employees	76

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were $657,664. Total contributions included in the measurement period were $667,077. The actuarially determined contribution for the measurement period was $455,533. The District's contributions and benefit payments were 4.3% of payroll during the fiscal year ended June 30, 2018 (reporting period June 30, 2018). Employees are not required to contribute to the plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	30 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Increases	2.75%
Investment Rate of Return	7.0%, Net of OPEB plan investment expenses, including inflation
Mortality	2009 CalSTRS Mortality 2014 CalPERS Active Mortality for Miscellaneous employees
Retirement	2009 CalSTRS Retirement Rates Hired <1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired >12/31/2012: CalPERS 2% @ 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52
Service Requirement	100% at age plus service of at least 70 and minimum 10 years of service

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
US Large Cap	43.00%	7.795%
US Small Cap	23.00%	7.795%
Long-Term Corporate Bonds	12.00%	5.295%
Long-Term government Bonds	6.00%	4.500%
Treasury Inflation Protected Securities	5.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
Total	100.00%	7.297%

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 (measurement date) and was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2017)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30,2017	$ 6,824,995	$ 3,200,082	$ 3,624,913
Service cost	158,544	-	158,544
Interest in Total OPEB Liability	472,037	-	472,037
Employer contributions	-	667,077	(667,077)
Employer implicit subsidy	-	-	-
Employee contributions	-	-	-
Balance of diff between actual and exp experience	-	-	-
Balance of diff between actual and exp earnings	-	-	-
Balance of changes in assumptions	-	-	-
Actual investment income	-	337,720	(337,720)
Administrative expenses	-	(2,850)	2,850
Benefit payments	(317,391)	(317,391)	-
Other	-	-	-
Net changes	313,190	684,556	(371,366)
Balance at June 30, 2018	$ 7,138,185	$ 3,884,638	$ 3,253,547

Covered Payroll at Measurement Date	$ 15,101,389
Total OPEB Liability as a % of covered payroll	47.27%
Plan Fid. Net Position as a % of Total OPEB Liability	54.42%
Service cost as a % of covered payroll	1.05%
Net OPEB Liability as a % of covered payroll	21.54%

Deferred Inflows and Outflows of Resources

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
Difference between actual and expected experience	$ -	$ -
Difference between actual and expected earnings	-	-
Change in assumptions	-	-
OPEB contribution subsequent to measurement date	657,664	-
Totals	$ 657,664	$ -

Of the total amount reported as deferred outflows of resources related to OPEB, $657,664 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Service cost	$ 158,544
Interest in TOL	472,037
Expected investment income	(337,720)
Other	-
Employee contributions	-
Difference between actual and expected experience	-
Difference between actual and expected earnings	-
Change in assumptions	-
Administrative expenses	2,850
OPEB Expense	**$ 295,711**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Net OPEB liability ending	$ 3,253,547
Net OPEB liability begining	(3,624,913)
Change in net OPEB liability	(371,366)
Changes in deferred outflows	-
Changes in deferred inflows	-
Employer contributions	667,077
OPEB Expense	**$ 295,711**

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	6.0% (1% Decrease)	7.0% (Current Rate)	8.0% (1% Increase)
Net OPEB Liability	$ 2,362,127	$ 3,253,547	$ 949,463

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	3.0% (1% Decrease)	4% (Current Rate)	5.0% (1% Increase)
Net OPEB Liability	$ 948,108	$ 3,253,547	$ 2,349,430

REQUIRED SUPPLEMENTARY INFORMATION

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	$ 19,044,024	$ 19,284,521	$ 19,437,585	$ 153,064
Federal	284,678	279,564	274,437	(5,127)
Other state	1,419,196	1,412,353	1,914,759	502,406
Other local	5,547,178	5,984,867	6,250,230	265,363
Total revenues	26,295,076	26,961,305	27,877,011	915,706
Expenditures:				
Certificated salaries	12,373,093	12,177,946	12,270,219	(92,273)
Classified salaries	3,874,787	3,937,019	3,853,032	83,987
Employee benefits	6,081,306	5,931,385	5,941,969	(10,584)
Books and supplies	1,054,031	1,794,173	788,466	1,005,707
Services and other operating expenses	3,254,391	3,809,271	3,015,317	793,954
Capital outlay	10,000	30,412	20,414	9,998
Other outgo	146,850	146,850	105,649	41,201
Total expenditures	26,794,458	27,827,056	25,995,066	1,831,990
Excess (deficiency) of revenues over (under) expenditures	(499,382)	(865,751)	1,881,945	2,747,696
Other financing sources (uses):				
Operating transfers in	323,346	-	-	-
Operating transfers out	-	(220,466)	-	220,466
Total other financing sources (uses)	323,346	(220,466)	-	220,466
Change in fund balance	$ (176,036)	$ (1,086,217)	1,881,945	$ 2,968,162
Fund balance beginning			13,991,542	
Fund balance ending			$ 15,873,487	

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS Plan				
Plan Measurement Date	**2017**	**2016**	**2015**	**2014**
Fiscal Year Ended	**2018**	**2017**	**2016**	**2015**
Contractually Required Contributions	$ 572,768	$ 500,033	$ 418,052	$ 393,467
Contributions in Relation to Contractually Required Contributions	572,768	500,033	418,052	393,467
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	**$ 3,687,902**	**$ 3,600,468**	**$ 3,528,669**	**$ 3,342,681**
Contributions as a Percentage of Covered Payroll	**15.53%**	**13.89%**	**11.85%**	**11.77%**

Notes to Schedule:

Valuation Date: June 30, 2016

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.5%
CalPERS mortality table using 20 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
** There were no changes in benefit terms
** PERS discount rates were reduced from 7.5 to 7.65 and then again to 7.15 in 2018

This schedule provides information about the District's required and actual contributions to CalPERS during the year.

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS Plan				
Plan Measurement Date	**2017**	**2016**	**2015**	**2014**
Fiscal Year Ended	**2018**	**2017**	**2016**	**2015**
Proportion of Net Pension Liability	0.02823%	0.02741%	0.02673%	0.02570%
Proportionate Share of Net Pension Liability	$ 6,739,246	$ 5,413,579	$ 3,940,650	$ 2,917,576
Covered Payroll	$ 3,600,468	$ 3,528,669	$ 3,342,681	$ 3,448,274
Proportionate Share of NPL as a % of Covered Payroll	**187.18%**	**153.42%**	**117.89%**	**84.61%**
Plan's Fiduciary Net Position as a % of the TPL	**71.87%**	**73.90%**	**79.43%**	**83.38%**

** Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
** There were no changes in benefit terms
** PERS discount rates were reduced from 7.5 to 7.65 and then again to 7.15 in 2018

This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF STRS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalSTRS Plan				
Plan Measurement Date	**2017**	**2016**	**2015**	**2014**
Fiscal Year Ended	**2018**	**2017**	**2016**	**2015**
Contractually Required Contributions	$ 1,741,837	$ 1,426,933	$ 1,174,440	$ 955,622
Contributions in Relation to Contractually Required Contributions	1,741,837	1,426,933	1,174,440	955,622
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	**$ 12,070,942**	**$ 11,342,870**	**$ 10,945,387**	**$ 10,761,509**
Contributions as a Percentage of Covered Payroll	**14.43%**	**12.58%**	**10.73%**	**8.88%**

Notes to Schedule:

Valuation Date: June 30, 2015

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll
7 Years Remaining Amortization Period
Inflation Assumed at 3.00%
Investment Rate of Returns set at 7.50%
STRS mortality table using membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
** There were no changes in benefit terms
** STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018

This schedule provides information about the District's required and actual contributions to CalSTRS during the year.

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF STRS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalSTRS Plan				
Plan Measurement Date	**2017**	**2016**	**2015**	**2014**
Fiscal Year Ended	**2018**	**2017**	**2016**	**2015**
Proportion of Net Pension Liability	0.02100%	0.02068%	0.02042%	0.02300%
Proportionate Share of Net Pension Liability	$ 19,420,590	$ 16,730,115	$ 13,747,575	$ 13,440,510
Covered Payroll	$ 11,342,870	$ 10,945,387	$ 10,761,509	$ 10,709,600
Proportionate Share of NPL as a % of Covered Payroll	**171.21%**	**152.85%**	**127.75%**	**125.50%**
Plan's Fiduciary Net Position as a % of the TPL	**69.46%**	**70.04%**	**74.02%**	**76.52%**

** Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
** There were no changes in benefit terms
** STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018

This schedule presents information on the District's portion of the net pension liability of CalSTRS in compliance with GASB 68.

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR
POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Fiscal Year Ended June 30, 2018
Actuarially determined contribution (ADC)	$	455,533
Less: actual contribution in relation to ADC		(667,077)
Contribution deficiency (excess)	$	(211,544)
Covered payroll for the fiscal year	$	15,516,677
Contributions as a percentage of covered payroll		4.30%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Period	30 years
Asset Valuation Method	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Increases	2.75%
Investment Rate of Return	7.0%, Net of OPEB plan investment expenses, including inflation
Mortality	2009 CalSTRS Mortality 2014 CalPERS Active Mortality for Miscellaneous employees
Retirement	2009 CalSTRS Retirement Rates Hired <1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired >12/31/2012: CalPERS 2% @ 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52
Service Requirement	100% at age plus service of at least 70 and minimum 10 years of service

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30, 2018
Total OPEB liability	
Service cost	$ 158,544
Interest	472,037
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(317,391)
Net change in Total OPEB Liability	313,190
Total OPEB Liability - beginning	6,824,995
Total OPEB Liability - ending	$ 7,138,185
Plan fiduciary net position	
Employer contributions	$ 667,077
Employer implict subsidy	-
Employee contributions	-
Net investment income	337,720
Difference between estimated and actual earnings	-
Benefit payments	(317,391)
Other	-
Administrative expense	(2,850)
Net change in plan fiduciary net position	684,556
Plan fiduciary net position - beginning	3,200,082
Plan fiduciary net position - ending	$ 3,884,638
Net OPEB liability	$ 3,253,547
Plan fiduciary net position as a percentage of the total OPEB liability	54.42%
Covered employee payroll	$ 15,101,389
Net OPEB Liability as a percentage of covered payroll	21.54%
Total OPEB Liability as a percentage of covered payroll	47.27%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

SUPPLEMENTARY INFORMATION

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds		
	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Assets				
Cash and investments	$ 1,455,239	$ 693,105	$ 95,403	$ 2,243,747
Accounts receivable	6,365	22,865	417	29,647
Total Assets	$ 1,461,604	$ 715,970	$ 95,820	$ 2,273,394
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-
Fund balances:				
Committed for repairs and maintenance	$ 1,461,604	$ -	$ -	$ 1,461,604
Assigned for site repairs	-	715,970	-	715,970
Assigned for capital projects	-	-	95,820	95,820
Total Fund Balances	1,461,604	715,970	95,820	2,273,394
Total Liabilities and Fund Balances	$ 1,461,604	$ 715,970	$ 95,820	$ 2,273,394

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds		
	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Revenues:				
LCFF sources	$ 158,000	$ -	$ -	$ 158,000
Other local	19,464	273,888	1,773	295,125
Total revenues	177,464	273,888	1,773	453,125
Expenditures:				
Plant services	-	99,846	-	99,846
Facility acquisition and construction	-	-	170,011	170,011
Total expenditures	-	99,846	170,011	269,857
Excess (deficiency) of revenues over (under) expenditures	177,464	174,042	(168,238)	183,268
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	177,464	174,042	(168,238)	183,268
Fund balances beginning	1,284,140	541,928	264,058	2,090,126
Fund balances ending	$ 1,461,604	$ 715,970	$ 95,820	$ 2,273,394

COMPLIANCE SECTION

The Las Lomitas Elementary School District was established in 1904 in San Mateo County, California. There were no changes in boundaries during the current year. The District is comprised of one elementary and one middle school.

Governing Board

Name	Office	Term Expires
Diane Honda	President	2020
Christine Marie Heaton	Clerk	2018
Richard Ginn	Member	2018
William Steinmetz	Member	2020
John Earnhardt	Member	2018

Administration

Lisa Cesario
Superintendent

Steven Fuentes
Chief Business Officer

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	470.96	472.58	470.96	472.58
Grades four through six	446.67	448.04	446.67	448.04
Grades seven and eight	276.38	275.79	276.38	275.79
Regular ADA Totals	1,194.01	1,196.41	1,194.01	1,196.41
Extended year Special education:				
Grades TK/K through three	0.43	0.43	0.43	0.43
Grades four through six	0.08	0.08	0.08	0.08
Grades seven and eight	0.32	0.32	0.32	0.32
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	2.94	2.92	2.94	2.92
Grades four through six	2.42	2.34	2.42	2.34
Extended year special education - nonpublic, nonsect schools:				
Grades TK/K through three	3.00	3.00	3.00	3.00
Grades four through six	2.77	2.77	2.77	2.77
Regular ADA Totals	1,205.97	1,208.27	1,205.97	1,208.27
Basic Aid Choice/Court-Ordered Voluntary Pupil Transfer ADA:				
Grades TK/K through three	38.79	39.51	38.79	39.51
Grades four through six	27.78	27.93	27.78	27.93
Grades seven and eight	22.98	22.93	22.98	22.93
Regular ADA Totals	89.55	90.37	89.55	90.37

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirements	2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	45,075	180	0	In compliance
Grade 1	50,400	52,928	180	0	In compliance
Grade 2	50,400	52,928	180	0	In compliance
Grade 3	50,400	52,928	180	0	In compliance
Grade 4	54,000	58,019	180	0	In compliance
Grade 5	54,000	58,019	180	0	In compliance
Grade 6	54,000	62,962	180	0	In compliance
Grade 7	54,000	62,962	180	0	In compliance
Grade 8	54,000	62,962	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has met or exceeded its target funding.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	(Budget [1]) 2019	2018	2017	2016
General Fund				
Revenues and other financial sources	$ 27,150,986	$ 27,877,011	$ 26,124,919	$ 25,394,751
Expenditures	26,825,705	25,995,066	24,933,780	23,548,355
Other uses and transfers out	-	-	-	-
Total outgo	26,825,705	25,995,066	24,933,780	23,548,355
Change in fund balance	$ 325,281	$ 1,881,945	$ 1,191,139	$ 1,846,396
Ending fund balance	$ 16,180,768	$ 15,855,487	$ 13,973,542	$ 12,782,403
Available reserves [2]	$ 1,383,962	$ 2,095,205	$ 997,351	$ 1,257,801
Reserve for economic uncertainties	$ 802,368	$ 779,873	$ 779,602	$ 706,451
Unassigned fund balance	$ 581,594	$ 1,315,332	$ 217,749	$ 551,350
Available reserves as a percentage of total outgo	5.16%	8.06%	4.00%	5.34%
Total long-term liabilities	$ 96,055,266	$ 98,400,266	$ 63,663,528	$ 63,697,446
Average daily attendance (ADA) at P-2	1,294	1,296	1,338	1,349

Average daily attendance has decreased by 53 since 2016. The District anticipates a decrease of 2 ADA during fiscal year 2018/19.

the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo). The fiscal year 2017/18 budget projects a $325,281 increase in fund balance.

The District operated at a surplus in each of the past three years. Total long-term liabilities have increased by $37,702,820 over the last three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2018/19, which is unaudited.

[2] Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds
June 30, 2018 Annual Financial and Budget Report Fund Balances	$ 7,910,159	$ 9,992,744	$ 5,147,995	$ 10,236,722
Adjustments and Reclassifications:				
Special Res Fund for Other Than Cap Outlay:				
Cash and investments	7,863,610	-	-	(7,863,610)
Accounts receivable	34,393	-	-	(34,393)
Due from other funds	65,325	-	-	(65,325)
June 30, 2018 Audited Financial Statements Fund Balances	$ 15,873,487	$ 9,992,744	$ 5,147,995	$ 2,273,394

1. PURPOSE OF SCHEDULES

A. 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 levels and in different programs.

B. Schedule of Instructional Time

The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Financial Trends and Analysis

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

D. Reconciliation of Annual Financial and Budget Report to the 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.

2. EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
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 Education
Las Lomitas Elementary School District
Menlo Park, CA

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Los Lomitas Elementary School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Los Lomitas Elementary School District's basic financial statements, and have issued our report thereon dated November 9, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

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

C & A LLP

November 9, 2018
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

Board of Trustees
Las Lomitas Elementary School District
Menlo Park, California

Compliance

We have audited the Las Lomitas Elementary School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the 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 applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes

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Description	Procedures Performed
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
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	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion

In our opinion, Los Lomitas Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2018.

C & A LLP

November 9, 2018
San Jose, California

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FINDINGS AND RECOMMENDATIONS

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	___ Yes _x_ No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes _x_ No
Non-compliance material to financial statements noted?	___ Yes _x_ No

Federal Awards

The District did not spend or incur expenditures of $750,000 or more in federal awards.

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes _x_ No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes _x_ No
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.