SAN LEANDRO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SAN LEANDRO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
San Leandro Unified School District
San Leandro, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Leandro Unified 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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 San Leandro Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 14 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the District's total OPEB liability and related ratios, schedule of District contributions for OPEB, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Leandro Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018, on our consideration of the San Leandro Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Leandro Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Leandro Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 8, 2018

San Leandro Unified School District

Business & Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

This section of San Leandro Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

The San Leandro Unified School District is located in Alameda County. The District serves 8,887 students of a diverse population. The District currently operates 13 schools, consisting of 8 elementary (grades K-5), 2 middle schools (grades 6-8), one comprehensive high school (grades 9-12), one continuation high school, one adult school and one independent study program. As of June 30, 2018, the District employs on a regular basis 478 certificated and 268 classified employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – the management discussion and analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what funding remains for future spending.
  - The *proprietary funds* statements explain the short and long-term financial information about District activities that operate similar to businesses such as the self-insurance fund.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1 on the next page summarizes the major features of the District's basic financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1
Major Features of the District wide and Fund Financial Statements

Type of Statements	District-wide	Governmental Funds	Fiduciary Funds	Proprietary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities	Activities of the District that operate like a business, such as self-insurance funds
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance sheet. • Statement of Revenues, Expenditures & changes in fund balances • Reconciliation to government wide financial statements	• Statement of fiduciary net assets.	• Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows
Accounting basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain non-financial assets, though they can	All assets and liabilities, both short-term and long-term; standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental and fiduciary.

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

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the San Leandro Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was negative $48.1 million for the fiscal year ended June 30, 2018. Of this amount, $20.4 million was restricted. Restricted net position is reported separately to shows legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1 – Comparison of Net Position

(Amounts in millions)	Governmental Activities 2018	Governmental Activities 2017
Assets		
Current and other assets	$ 75.5	$ 72.6
Capital assets	213.8	220.0
Total Assets	**289.3**	**292.6**
Deferred Outflows of Resources	**75.1**	**20.5**
Liabilities		
Current liabilities	16.9	8.0
Long-term obligations	351.3	338.6
Total Liabilities	**368.2**	**346.6**
Deferred Inflows of Resources	**44.3**	**5.6**
Net Position		
Net investment in capital assets	11.1	19.5
Restricted	20.4	21.0
Unrestricted	(79.6)	(79.6)
Total Net Position	**$ (48.1)**	**$ (39.1)**

The negative $48.1 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – remained stable at $79.6 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2 – Changes in Net Position

(Amounts in millions)	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 0.7	$ 0.8
Operating grants and contributions	20.0	18.7
General revenues:		
Federal and State aid not restricted	53.8	54.6
Property taxes	46.7	39.1
Other general revenues	5.0	3.5
Total Revenues	**126.2**	**116.7**
Expenses		
Instruction-related	87.1	84.0
Student support services	11.1	12.6
Administration	6.7	6.9
Maintenance and operations	12.7	12.3
Other	12.0	10.5
Total Expenses	**129.6**	**126.3**
Change in Net Position	**(3.4)**	**(9.6)**
Prior period restatement	(5.6)	-
Total	**$ (9.0)**	**$ (9.6)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $129.6 million. The cost paid by those who benefited from the programs was $0.7 million. Operating grants and contributions subsidized certain programs in the amount of $20.0 million. We paid for the remaining "public benefit" portion of our governmental activities with $46.7 million in taxes, unrestricted Federal and State aid of $53.8 million and other revenues of $5.0 million for the fiscal year ended June 30, 2018.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction related, student support services, administration, maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3 – Comparison of Total Cost of Services

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related	$ 87.1	$ 84.0	$ 72.8	$ 71.7
Student support services	11.1	12.6	6.3	7.2
School administration	6.7	6.9	6.1	6.5
Maintenance and operations	12.7	12.3	12.4	12.1
Other	12.0	10.5	11.3	9.4
Total	**$ 129.6**	**$ 126.3**	**$ 108.9**	**$ 106.9**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $62.3 million, which is a decrease of $5.0 million from last year (Table 4).

Table 4 – Comparison of Revenues and Expenditures by Major Fund

(Amounts in millions)	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General	$ 6.6	$ 100.1	$ 99.1	$ 7.6
Adult Education	1.6	2.5	2.4	1.7
Building	41.0	0.6	9.1	32.5
Bond Interest and Redemption	13.1	17.0	14.8	15.3
Other	5.0	4.9	4.7	5.2
Total	**$ 67.3**	**$ 125.1**	**$ 130.1**	**$ 62.3**

The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $6.6 million to $7.6 million. This increase is primarily due to the receipt of restricted facilities revenue to the General Fund.
b. Our Adult Education Fund remained relatively unchanged.
c. Our Building Fund decreased from $41.0 million to $32.5 million primarily due to expenditure of Measure J1 Series A bond funds on building projects.
d. The Bond Interest and Redemption Fund increased from $13.1 million to $15.3 million due to County calculations and collections of required funds to pay bond debt during the 2018-19 year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the 2017-18 budget was adopted on June 19, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 64).

Revenues:

- Significant revenue revisions made to the 2017-2018 Budget were due to an increase in enrollment and subsequent revenue generated by increased ADA.

Expenditures:

- Budgeted salary expenditures increased by 2.0% for collective bargaining settlements reached for the 2017-18 year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $213.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $6.2 million, or 1.8 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2018	2017
Land and construction in progress	$ 19.0	$ 14.5
Buildings and improvements	315.1	313.8
Equipment	10.1	9.8
Less: Accumulated Depreciation	(130.4)	(118.1)
Total	**$ 213.8**	**$ 220.0**

This year's additions of $6.1 million included the purchase of portable classrooms, new HVAC systems, electrical upgrades, installation of security cameras, school library modernization and architectural work for upcoming modular classrooms.

Several capital projects are scheduled to begin in 2018-2019. The District is undergoing renovation of school libraries, upgrades to electrical systems, and installation of HVAC in all classrooms. We present more detail information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $233.7 million in general obligation bonds outstanding versus $240.5 million last year, a decrease of 2.8 percent. Those long-term obligations consisted of:

Table 6 – Long Term Obligations

(Amounts in millions)	Governmental Activities	
	2018	2017
General obligation bonds (financed with property taxes)	$ 233.6	$ 240.5
Note payable	0.9	0.9
Capitalized lease obligations	0.7	0.8
Other	0.5	1.3
Total	**$ 235.7**	**$ 243.5**

The District's general obligation bond rating was an "A" as per Standard & Poor's Ratings Services in April 2017. The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation bond debt of $233.6 million is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable and postemployment benefits (not including health benefits). We present more detailed information regarding our long-term obligations in Notes 8 to the financial statements.

Net Pension Liability (NPL)

As of June 30, 2018, the District reported $74.4 million in Deferred Outflows of Resources related to pension, $44.4 million Deferred Inflows of Resources related to pension, and $108.2 million in Net Pension Liability. We present more detail information regarding pension liability in Note 11.

ECONOMIC FACTORS AND BUDGET ASSUMPTIONS USED FOR 2018-19 BUDGET

The following are the budget assumptions used to calculate the District's budget for 2018-19. The District used the most current information available at that time. The budget assumptions are updated during the fiscal year as new information becomes available.

Revenue Assumptions:

- Enrollment for 2018-19 is projected at 8,880 students, which is approximately the same as 2017-18.
- Average Daily Attendance (ADA) is projected to be 8,439, which represents 95% attendance rate to enrollment rate.
- Cost of Living Allowance (COLA) is projected at 1.71 %, the same rate to fund Special Education, Child Nutrition and Foster Youth.
- Local Control Funding Formula (LCFF) is fully funded (100%).
- Unduplicated count of students who are eligible for Free and Reduced Price Meals (FRPM), English Learners (EL) and Foster Youth is projected at 67% of the District's enrollment.
- One-time State Discretionary Funding of $184 per ADA, which is an estimate of $ 1.6 Million.
- Mandated Block Grant is estimated at $30 per student for Grades K-8 and $58 per student for Grades 9-12.
- Lottery funding is estimated at $151 per ADA for unrestricted and $53 per ADA restricted (Prop 20-Textbook funding).
- Each year, unused funding for categorical programs - federal, state and local are carryover and forwarded to the next fiscal year.

Expenditure Assumptions:

- Classroom staffing is estimated using the following class sizes and ratio as defined in the bargaining agreement: Staffing Ratio Enrollment

Grades Kindergarten through third	26:1	2,606
Grades four through eight	32:1	3,296
Grades nine through twelve	35:1	2,763

- District Bargaining Units – San Leandro Teachers Association (SLTA), California School Employees Association (CSEA), Teamster and Trade Unions, and Unrepresented Group Unit have reached salary settlement of 3.55% salary increase for fiscal year 2018-19.
- Step and Column increases are included in the adopted budget.
- Employers' STRS and PERS Rate increases are included.
- District's State approved indirect cost rate is 7.0% for 2017-18.
- Contributions to Routine Repair Maintenance Account, Transportation and Special Education will continue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at San Leandro Unified School District, 835 East 14th Street, Suite 200, San Leandro, California, 94577, or e-mail at kcollins@slusd.us.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 70,636,074
Receivables	4,859,677
Stores inventories	29,434
Capital assets not depreciated	18,963,762
Capital assets, net of accumulated depreciation	194,833,839
Total Assets	289,322,786
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	74,404,058
Deferred outflows of resources related to other post employment benefit plans	727,849
Total Deferred Outflows of Reserve	75,131,907
LIABILITIES	
Accounts payable	13,050,393
Interest payable	3,894,497
Long Term obligations:	
Current portion of long-term obligations other than pensions	10,380,289
Noncurrent portion of long-term obligations other than pensions	225,315,897
Total Long Term obligations, other than pension	235,696,186
Aggregate net pension liability	108,222,126
Other post employment benefits	7,339,615
Total Liabilities	368,202,817
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	44,374,948
NET POSITION	
Net investment in capital assets	11,098,089
Restricted for:	
Debt service	11,386,567
Capital projects	1,410,459
Educational programs	4,129,640
Other activities	3,455,320
Unrestricted	(79,603,147)
Total Net Position	$ (48,123,072)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Total**
Governmental Activities:				
Instruction	$ 74,408,952	$ 4,145	$ 11,758,330	$ (62,646,477)
Instruction-related activities:				
Supervision of instruction	4,218,151	101	1,598,377	(2,619,673)
Instructional library, media, and technology	1,958,893	-	59,570	(1,899,323)
School site administration	6,547,014	82	950,441	(5,596,491)
Pupil services:				
Home-to-school transportation	2,328,703	-	-	(2,328,703)
Food services	3,709,731	530,835	2,939,671	(239,225)
All other pupil services	4,977,264	9	1,212,311	(3,764,944)
Administration:				
Data processing	1,396,797	-	11,611	(1,385,186)
All other administration	5,343,245	38,918	522,949	(4,781,378)
Plant services	12,668,268	15,160	240,124	(12,412,984)
Ancillary services	884,821	281	16,198	(868,342)
Interest and cost of issuance on long-term obligations	9,793,747	-	-	(9,793,747)
Other outgo	1,374,578	62,388	706,080	(606,110)
Total Governmental Activities	$ 129,610,164	$ 651,919	$ 20,015,662	$ (108,942,583)
	General revenues and subventions:			
	Property taxes, levied for general purposes			28,282,091
	Property taxes, levied for debt service			16,837,106
	Taxes levied for other specific purposes			1,654,084
	Federal and State aid not restricted to specific purposes			53,749,946
	Miscellaneous			5,011,595
	Subtotal, General Revenues			105,534,822
	Change in Net Position			(3,407,761)
	Net Position - Beginning			(39,069,346)
	Prior Period Restatement			(5,645,965)
	Net Position - Ending			$ (48,123,072)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Funds	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 13,755,849	$ 34,651,006	$ 15,236,077	$ 6,791,080	$ 70,434,012
Receivables	3,922,974	121,188	44,987	765,087	4,854,236
Due from other funds	378,247	-	-	228,199	606,446
Stores inventories	-	-	-	29,434	29,434
Total Assets	$ 18,057,070	$ 34,772,194	$ 15,281,064	$ 7,813,800	$ 75,924,128
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 10,236,290	$ 2,254,355	$ -	$ 559,748	$ 13,050,393
Due to other funds	228,199	-	-	378,247	606,446
Total Liabilities	10,464,489	2,254,355	-	937,995	13,656,839
Fund Balances:					
Nonspendable	40,000	-	-	29,434	69,434
Restricted	4,129,640	32,517,839	15,281,064	4,910,359	56,838,902
Assigned	-	-	-	1,936,012	1,936,012
Unassigned	3,422,941	-	-	-	3,422,941
Total Fund Balances	7,592,581	32,517,839	15,281,064	6,875,805	62,267,289
Total Liabilities and Fund Balances	$ 18,057,070	$ 34,772,194	$ 15,281,064	$ 7,813,800	$ 75,924,128

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 62,267,289**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 344,173,833	
Accumulated depreciation is	(130,376,232)	
Net Capital Assets		213,797,601
recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,894,497)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		207,503
Deferred inflows and outflows of resources related to pension liablility and OPEB are not recognized on the modified accrual basis, but are amortized over the remaining service life of the members receiving benefits using the accrual basis.		30,756,959
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term obligations at year-end consist of:		
Bonds payable	$ 219,634,079	
Capital leases payable	721,936	
Premiums, net of accumulated amortization	14,003,265	
Compensated absences (vacations)	478,835	
Net other postemployment benefits (OPEB) liability	7,339,615	
Note payable	858,071	
Aggregate net pension liability	108,222,126	
Total Long-Term Obligations		(351,257,927)
Total Net Position - Governmental Activities		**$ (48,123,072)**

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	$ 79,171,158	$ -	$ -	$ -	$ 79,171,158
Federal sources	4,514,393	-	-	3,295,403	7,809,796
Other state sources	9,653,209	10,372	114,034	1,879,605	11,657,220
Other local sources	6,793,022	541,566	16,876,891	1,856,925	26,068,404
Total Revenues	100,131,782	551,938	16,990,925	7,031,933	124,706,578
EXPENDITURES					
Current					
Instruction	65,840,408	-	-	1,070,899	66,911,307
Instruction-related activities:					
Supervision of instruction	3,648,703	-	-	221,875	3,870,578
Instructional library, media and technology	1,240,940	-	-	-	1,240,940
School site administration	5,735,389	-	-	825,080	6,560,469
Pupil services:					
Home-to-school transportation	2,142,412	-	-	-	2,142,412
Food services	-	-	-	3,407,322	3,407,322
All other pupil services	4,579,095	-	-	-	4,579,095
Administration:					
Data processing	1,271,751	-	-	-	1,271,751
All other administration	4,528,803	-	-	378,176	4,906,979
Plant services	7,670,801	3,457,780	-	467,188	11,595,769
Ancillary services	812,413	-	-	-	812,413
Other outgo	1,374,578	-	-	-	1,374,578
Facility acquisition and construction	48,560	5,604,471	-	462,301	6,115,332
Debt service					
Principal	-	-	6,290,720	166,294	6,457,014
Interest and other	-	-	8,491,768	39,735	8,531,503
Total Expenditures	98,893,853	9,062,251	14,782,488	7,038,870	129,777,462
Excess (Deficiency) of Revenues Over Expenditures	1,237,929	(8,510,313)	2,208,437	(6,937)	(5,070,884)
Other Financing Sources (Uses)					
Transfers in	-	-	-	224,566	224,566
Transfers out	(224,566)	-	-	-	(224,566)
Net Financing Sources (Uses)	(224,566)	-	-	224,566	-
NET CHANGE IN FUND BALANCES	1,013,363	(8,510,313)	2,208,437	217,629	(5,070,884)
Fund Balance - Beginning	6,579,218	41,028,152	13,072,627	6,658,176	67,338,173
Fund Balance - Ending	$ 7,592,581	$ 32,517,839	$ 15,281,064	$ 6,875,805	$ 62,267,289

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (5,070,884)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlay in the period.		
Depreciation expense	$ (12,225,968)	
Capital outlays	6,058,528	
Net Expense Adjustment		(6,167,440)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by $140,963.		140,963
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(291,465)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net		2,754,911
Payment of principal on general obligation bonds and notes is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		6,290,720
Premiums and refunding costs on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of		(206,063)
Payments of principal on capital leases and notes payable are an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		166,590
Interest on long-term obligations is recorded as an expenditure in the governmental funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(1,056,477)
An internal service fund is used by the District's management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		31,384
Change in Net Position of Governmental Activities		**$ (3,407,761)**

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 202,062
Receivables	5,441
Total Current Assets	207,503
NET POSITION	
Unassigned	$ 207,503

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local sources	$ 29,283
OPERATING EXPENSES	
Other operating cost	509
Operating Loss	**28,774**
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,610
Change in Net Position	**31,384**
Total Net Position - Beginning	176,119
Total Net Position - Ending	$ 207,503

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from self insurance premiums	$ 29,449
Cash payments to other suppliers of goods or services	(509)
Net Cash Provided by Operating Activities	28,940
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	(2,831)
Net Change in Cash and Cash Equivalents	26,109
Cash and Cash Equivalents - Beginning	175,953
Cash and Cash Equivalents - Ending	$ 202,062
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 28,774
Changes in assets and liabilities:	
Receivables	166
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 28,940

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 490,142
Total Assets	$ 490,142
LIABILITIES	
Due to student groups	$ 490,142
Total Liabilities	$ 490,142

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Leandro Unified School District was organized on July 1, 1952 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, two middle schools, one comprehensive high school, one continuation high school, one adult school, and an independent study center.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Capital Project Funds The Capital Project funds are used to account for and report financial resources to be used for the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District proprietary fund includes the following fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self insurance that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

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

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

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

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at the latest invoice cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental columns of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $20,381,986 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Property Tax

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

Changes in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued 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.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

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

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

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

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, 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.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost 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.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 70,636,074
Fiduciary funds	490,142
Total Deposits and Investments	$ 71,126,216

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

Cash on hand and in banks	$ 573,589
Cash in revolving	40,000
Investments	70,512,627
Total Deposits and Investments	$ 71,126,216

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.

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity
County Investment Pool	$ 70,512,627	357 days

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not required to be rated, nor have they been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the 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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, approximately $140,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the Alameda 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.

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

		Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investment Type	Fair Value	Inputs	Inputs	Inputs	Uncategorized
County Investment Pool	$ 70,512,627	$ -	$ -	$ -	$ 70,512,627

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	$ 2,676,444	$ -	$ -	$ 689,705	$ 3,366,149	$ -
State Government						
Categorical aid	692,227	-	-	34,801	727,028	-
Lottery	362,284	-	-	-	362,284	-
Other State	143,420	-	-	-	143,420	-
Local Government						
Interest	48,599	117,459	44,987	15,665	226,710	-
Other Local Sources	-	3,729	-	24,916	28,645	5,441
Total	$ 3,922,974	$ 121,188	$ 44,987	$ 765,087	$ 4,854,236	$ 5,441

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 14,369,105	$ -	$ -	$ 14,369,105
Construction in Progress	143,745	4,580,992	130,080	4,594,657
Total Capital Assets Not Being Depreciated	14,512,850	4,580,992	130,080	18,963,762
Capital Assets Being Depreciated:				
Land Improvements	24,473,613	104,839	-	24,578,452
Buildings and Improvements	289,283,510	1,199,526	-	290,483,036
Furniture and Equipment	9,845,332	303,251	-	10,148,583
Total Capital Assets Being Depreciated	323,602,455	1,607,616	-	325,210,071
Total Capital Assets	338,115,305	6,188,608	130,080	344,173,833
Less Accumulated Depreciation:				
Land Improvements	14,232,301	730,449	-	14,962,750
Buildings and Improvements	96,584,628	10,713,395	-	107,298,023
Furniture and Equipment	7,333,335	782,124	-	8,115,459
Total Accumulated Depreciation	118,150,264	12,225,968	-	130,376,232
Governmental Activities Capital Assets, Net	$ 219,965,041	$ (6,037,360)	$ 130,080	$ 213,797,601

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 7,624,035
Supervision of instruction	441,023
Instructional library, media, and technology	747,516
School site administration	141,396
Home-to-school transportation	244,112
Food services	388,238
All other pupil services	521,753
Ancillary services	92,568
Enterprise activities	58
Data processing	559,113
All other administration	144,906
Plant services	1,321,250
Total Depreciation Expense	$ 12,225,968

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 228,199	$ 228,199
Non-Major Governmental Funds	378,247	-	378,247
Total	$ 378,247	$ 228,199	$ 606,446

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In the year ended June 30, 2018, the District made transfer of $224,566 from the General Fund to the Adult Education fund for credit recovery and apportionment transfers.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 4,412,582	$ 2,254,355	$ 488,061	$ 7,154,998
State principle apportionment	3,301,713	-	-	3,301,713
Salaries and benefits	2,521,995	-	71,687	2,593,682
Total	$ 10,236,290	$ 2,254,355	$ 559,748	$ 13,050,393

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 225,924,799	$ -	$ 6,290,720	$ 219,634,079	$ 9,663,998
Bond premiums	14,539,269	-	536,004	14,003,265	536,004
Note payable	940,074	-	82,003	858,071	84,463
Accumulated vacation - net	619,798	-	140,963	478,835	-
Capital leases	806,523	-	84,587	721,936	95,824
Total	$ 242,830,463	$ -	$ 7,134,277	$ 235,696,186	$ 10,380,289

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Capital Facilities Fund makes payments for the Notes Payable. The capital leases payments are made by the Adult Education Fund. The accrued compensation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Redeemed	Bonds Outstanding June 30, 2018
2/21/2007	8/1/2031	4.30%	$ 29,000,000	$ 535,000	$ -	$ 535,000	$ -
2/21/2007	8/1/2028	4.15%	39,210,000	1,985,000	-	1,985,000	-
3/18/2009	8/1/2033	4.00-6.25%	30,000,000	1,090,000	-	265,000	825,000
2/13/2010	8/1/2040	6.38-6.98%	19,999,043	12,980,063	-	99	12,979,964
5/1/2010	2/1/2026	4.55%	18,327,344	14,599,835	-	1,350,720	13,249,115
5/24/2011	8/1/2041	3.00-5.75%	30,000,000	29,100,000	-	100,000	29,000,000
10/19/2011	8/1/2022	2.00-3.125%	7,560,000	4,330,000	-	610,000	3,720,000
7/10/2013	8/1/2026	0.55-4.00%	11,670,000	10,335,000	-	600,000	9,735,000
7/10/2013	8/1/2038	3.00-5.00%	20,100,000	19,935,000	-	180,000	19,755,000
3/24/2015	8/1/2029	3.00-5.00%	11,745,000	11,745,000	-	-	11,745,000
5/21/2015	8/1/2033	2.00-5.00%	31,275,000	30,455,000	-	195,000	30,260,000
11/2/2016	8/1/2031	2.00-5.00%	17,900,000	17,900,000	-	125,000	17,775,000
5/2/2017	8/1/2046	3.00-5.00%	47,260,000	47,260,000	-	-	47,260,000
5/2/2017	8/1/2028	2.00-5.00%	23,675,000	23,675,000	-	345,000	23,330,000
				$ 225,924,898	$ -	$ 6,290,819	$ 219,634,079

Debt Service Requirements to Maturity

The bonds mature through August 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018-19	$ 9,663,998	$ 9,215,643	$ 18,879,641
2019-20	10,619,972	8,845,190	19,465,162
2020-21	9,943,562	8,414,813	18,358,375
2021-22	8,320,088	8,012,831	16,332,919
2022-23	9,694,482	7,671,735	17,366,217
2023-2028	43,206,914	27,310,752	70,517,666
2029-2033	41,210,000	36,776,344	77,986,344
2034-2038	33,916,510	33,898,597	67,815,107
2039-2043	37,383,553	32,219,513	69,603,066
2044-2047	15,675,000	2,040,672	17,715,672
Total	219,634,079	$ 174,406,090	$ 394,040,169

Notes Payable

On February 26, 2013, the City of San Leandro loaned the District $1,250,000 with interest rates of 1.5-5% for the purchase of a property in the City that will be used by the District to directly support education and administrative functions of the District. The loan matures on August 1, 2028. The principal and interest payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 84,463	$ 25,742	$ 110,205
2020	86,997	23,208	110,205
2021	89,607	20,598	110,205
2022	92,295	17,910	110,205
2023	95,064	15,141	110,205
2024-2028	341,071	57,139	398,210
2029	68,574	3,429	72,003
Total	$ 858,071	$ 163,167	$ 1,021,238

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $478,835.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Adult Education Zion Bank
Balance, July 1, 2017	$ 806,523
Additions	-
Payments	84,587
Balance, June 30, 2018	$ 721,936

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	$ 95,824
2020	95,824
2021	95,824
2022	95,824
2023	95,824
2024-2029	287,472
Total	766,592
Less: Amount Representing Interest	44,656
Present Value of Minimum Lease Payments	$ 721,936

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2018, include the following:

Buildings	$ 1,530,197
Less: Accumulated depreciation	(216,778)
Total	$ 1,313,419

Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

Net Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 7,339,615	$ 727,849	$ -	$ 659,712

The details of the plan are as follows:

<u>District Plan</u>

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Plan Membership

At June 30, 2017, the measurement dates, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	153
Active employees	15
Total	168

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $727,849 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $7,339,615 was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.72 percent
Salary increases	not applicable
Investment rate of return	3.13 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	7.0 percent for 2017

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 1984 Unisex Mortality Table. Mortality rates vary by age and sex. If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

Balance at June 30, 2016	$ 6,320,300
Service Cost	12,883
Interest	26,219
Differences between actual and expected experience	110,128
Benefit payments	(599,998)
Changes of assumptions or other inputs	1,470,083
Net change in total OPEB liability	1,019,315
Balance at June 30, 2017	$ 7,339,615

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (1.72%)	$ 6,626,256
Current discount rate (2.72%)	7,339,615
1% increase (3.72%)	8,188,268

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

Total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (6%)	$ 6,638,265
Current healthcare cost trend rate (7%)	7,339,615
1% increase (8%)	8,156,719

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

For the year ended June 30, 2018, the District recognized OPEB expense of $659,712. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $727,849.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 40,000	$ -	$ -	$ -	$ 40,000
Stores inventories	-	-	-	29,434	29,434
Total Nonspendable	40,000	-	-	29,434	69,434
Restricted					
Legally restricted programs	4,129,640	-	-	1,207,817	5,337,457
Capital projects	-	32,517,839	-	1,455,039	33,972,878
Debt services	-	-	15,281,064	-	15,281,064
Food service operations	-	-	-	2,247,503	2,247,503
Total Restricted	4,129,640	32,517,839	15,281,064	4,910,359	56,838,902
Assigned					
Other		-	-	526,677	526,677
Bond projects	-	-	-	1,409,335	1,409,335
Total Assigned	-	-	-	1,936,012	1,936,012
Unassigned					
Remaining unassigned	3,422,941	-	-	-	3,422,941
Total Unassigned	3,422,941	-	-	-	3,422,941
Total	$ 7,592,581	$ 32,517,839	$ 15,281,064	$ 6,875,805	$ 62,267,289

NOTE 10 - 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.

Property and Liability

During fiscal year ending June 30, 2018, the District contracted with East Bay Schools Insurance Group (EBSIG) insurance purchasing pools for property and liability coverage and SAFER for excess liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District participates in the Alameda County Schools Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund.” This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG.

Coverage provided by EBSIG, SAFER, and ACSIG for property and liability and workers’ compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
East Bay Schools Insurance Group	Liability	$ 5,000,000
	Excess Liability	$ 25,000,000
	Property	$ 250,000,000
Alameda Schools Insurance Group	Workers' Compensation	State Statutory Limits

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 83,191,072	$ 66,920,591	$ 4,702,442	$ 15,468,068
CalPERS	25,031,054	7,483,468	39,672,506	(9,042,995)
Total	$ 108,222,126	$ 74,404,059	$ 44,374,948	$ 6,425,073

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $7,115,349.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	
State's proportionate share of the net pension liability associated with the District	$ 83,191,072
	49,215,136
Total	$ 132,406,208

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0900 percent and 0.0912 percent, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2018, the District recognized pension expense of $15,468,068. In addition, the District recognized pension expense and revenue of $4,953,976 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,115,349	$ -
Net change in proportionate share of net pension liability	44,085,475	1,035,846
Difference between projected and actual earnings on pension plan investments	-	2,215,610
Differences between expected and actual experience in the measurement of the total pension liability	307,649	1,450,986
Change of assumptions	15,412,118	-
Total	$ 66,920,591	$ 4,702,442

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

Year Ended June 30,	Deferred Inflows of Resources
2019	$ (1,841,919)
2020	1,393,789
2021	200,975
2022	(1,968,455)
Total	$ (2,215,610)

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ 9,384,648
2020	9,384,648
2021	9,384,648
2022	9,384,646
2023	9,812,278
Thereafter	9,967,542
Total	$ 57,318,410

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	30.00%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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 the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 122,150,905
Current discount rate (7.10%)	$ 83,191,072
1% increase (8.10%)	$ 51,572,528

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,064,627.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,031,054. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1049 percent and 0.1083 percent, resulting in a net decrease in the proportionate share of 0.0034 percent.

For the year ended June 30, 2018, the District recognized pension expense of $(9,042,995). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,064,627	$ -
Net change in proportionate share of net pension liability	-	39,377,796
Difference between projected and actual earnings on pension plan investments	865,906	-
Differences between expected and actual experience in	896,760	-
Changes of assumptions	3,656,175	294,710
Total	$ 7,483,468	$ 39,672,506

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

Year Ended June 30,	Deferred Outflows of Resources
2019	$ (23,464)
2020	999,063
2021	364,470
2022	(474,163)
Total	$ 865,906

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

Year Ended June 30,	Deferred Inflows of Resources
2019	$ (12,091,560)
2020	(12,074,146)
2021	(10,953,865)
Total	$ (35,119,571)

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 36,828,702
Current discount rate (7.15%)	$ 25,031,054
1% increase (8.15%)	$ 15,243,917

Social Security and Tax Deferred Annuity Plan

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. The District contributes the required percent of an employee's gross earnings. The employee is also required to contribute based on the applicable percentage of his or her gross earnings to the pension plan.

The San Leandro District 403(b) Tax Deferred Annuity Plan (TDA) is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Employees may elect to participate and have voluntary withholding amounts deducted from their payroll.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,953,976 (9.328 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, but have been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule.*

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
HVAC at McKinley	$ 50,000	September 2018
HVAC at Washington	928,234	October 2018
McKinley electrical upgrade	43,250	October 2018
Washington electrical upgrade	42,210	October 2018
Washington library modernization	140,000	October 2018
San Leandro High School roof	441,774	October 2018
John Muir Middle School roof	802,913	October 2018
Madison roof	644,222	October 2018
Warehouse roof	93,467	October 2018
Warehouse seismic retro	80,000	August 2018
Districtwide camera project	1,600,000	June 2019
Alarm panel upgrades - Districtwide	100,000	June 2019
Madison wing remodel	5,000,000	December 2019
Monroe campus upgrades	292,467	September 2018
Total	$ 10,258,537	

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the East Bay Schools Insurance Group and Alameda County Schools Insurance Group public entity risk pools and the Eden Area Regional Occupational Program and the School Project for Utility Rate Reduction joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its workers' compensation, and property liability coverage. Payments for regional occupational programs and utilities are paid to the JPAs. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments of $718,405 to East Bay Schools Insurance Group, $1,862,221 to Alameda County Schools Insurance Group, $164,262 to School Project for Utility Rate public entity risk pool, and $1,362,681 to the Eden Area Regional Occupational Program for occupational programs.

NOTE 14 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No., 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ (39,069,346)
Restatement/OPEB	(5,645,965)
Net Position - Beginning as Restated	$ (44,715,311)

REQUIRED SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 77,644,802	$ 78,960,159	$ 79,171,158	$ 210,999
Federal sources	4,090,637	4,368,249	4,514,393	146,144
Other state sources	9,956,703	10,592,802	9,653,209	(939,593)
Other local sources	5,722,973	5,604,891	6,793,022	1,188,131
Total Revenues	97,415,115	99,526,101	100,131,782	605,681
EXPENDITURES				
Current				
Certificated salaries	48,248,675	48,696,730	49,289,194	(592,464)
Classified salaries	12,381,779	11,849,192	12,424,424	(575,232)
Employee benefits	18,352,294	18,470,491	17,747,364	723,127
Books and supplies	2,803,358	3,270,048	4,973,165	(1,703,117)
Services and operating expenditures	13,388,904	14,842,180	13,327,044	1,515,136
Other outgo	1,175,150	1,368,012	996,403	371,609
Capital outlay	50,772	72,664	136,259	(63,595)
Debt service - principal	(378,170)	(360,075)	-	(360,075)
Total Expenditures	96,022,762	98,209,242	98,893,853	(684,611)
Excess (Deficiency) of Revenues Over Expenditures	1,392,353	1,316,859	1,237,929	(78,930)
Other Financing Sources (Uses)				
Transfers out	(131,000)	(131,000)	(224,566)	(93,566)
Net Financing Sources (Uses)	(131,000)	(131,000)	(224,566)	(93,566)
NET CHANGE IN FUND BALANCES	1,261,353	1,185,859	1,013,363	(172,496)
Fund Balance - Beginning	6,579,218	6,579,218	6,579,218	-
Fund Balance - Ending	$ 7,840,571	$ 7,765,077	$ 7,592,581	$ (172,496)

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Total OPEB Liability	2018
Service Cost	$ 12,883
Interest	26,219
Change of benefit terms	-
Difference between expected and actual experience	110,128
Changes of assumptions	1,470,083
Benefit payments	(599,998)
Net change in total OPEB liability	1,019,315
Total OPEB Liability - beginning	6,320,300
Total OPEB Liability - ending	$ 7,339,615

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

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Actuarially determined contribution	$ 633,493
Contributions in relation to the actuarially determined contribution	(471,725)
Contribution deficiency (excess)	$ 161,768
Covered employee payroll	$ 63,077,044
Contribution as a percentage of covered employee payroll	0.748%

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

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

Measurement Date	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.0900%	0.0912%	0.0959%	0.0927%
District's proportionate share of the net pension liability	$ 83,191,072	$ 73,767,453	$64,583,072	$54,149,390
State's proportionate share of the net pension liability associated with the District	49,215,136	41,994,495	34,157,326	32,697,739
Total	$132,406,208	$115,761,948	$98,740,398	$86,847,129
District's covered - employee payroll	$ 47,621,925	$ 45,865,001	$43,790,149	$41,655,648
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	174.69%	160.84%	147.48%	129.99%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability (asset)	0.1049%	0.1083%	0.1070%	0.1091%
District's proportionate share of the net pension liability (asset)	$ 25,031,054	$ 21,379,819	$15,775,264	$12,387,907
District's covered - employee payroll	$ 13,429,587	$ 13,014,800	$11,851,312	$11,465,251
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	186.39%	164.27%	133.11%	108.05%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 7,115,349	$ 5,989,418	$ 4,806,023	$ 3,893,895
Contributions in relation to the contractually required contribution	7,115,349	5,989,418	4,806,023	3,893,895
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$49,314,538	$47,621,925	$45,865,001	$43,790,149
Contributions as a percentage of covered - employee payroll	14.43%	12.58%	10.48%	8.89%
CalPERS				
Contractually required contribution	$ 2,064,627	$ 1,861,098	$ 1,526,315	$ 1,394,910
Contributions in relation to the contractually required contribution	2,064,627	1,861,098	1,526,315	1,394,910
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$13,318,609	$13,429,587	$13,014,800	$11,851,132
Contributions as a percentage of covered - employee payroll	15.50%	13.86%	11.73%	11.77%

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

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

At June 30, 2018, the District major fund exceeded the budgeted amount as follows:

	Expenditures and Other Uses		
General Fund	Budget	Actual	Excess
Certificated salaries	$48,696,730	$49,289,194	$ 592,464
Classified salaries	$11,849,192	$12,424,424	$ 575,232
Employee benefits	$ 3,270,048	$ 4,973,165	$1,703,117
Capital outlay	$ 72,664	$ 136,259	$ 63,595

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

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

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

Schedule of District Pension Contributions

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

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

***Changes in Assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A			
NCLB - Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,745,310
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,684,012
Preschool Grants, Part B, Section 619	84.173	13430	53,604
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	153,678
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	95,228
Sub-total for Special Education Cluster			1,986,522
Adult Education			
Adult Basic Education & ESL	84.002A	14508	215,969
Adult Secondary Education	84.002	13978	89,771
English Literacy & Civics Education	84.002A	14109	101,622
Sub-total for Adult Education			407,362
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	268,824
Title III, Immigrant Education Program	84.365	14346	33,468
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	257,259
Vocational Educational Grants			
Carl Perkins	84.048	03555	64,349
Total U.S. Department of Education			4,763,094
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13390	2,119,114
Especially Needy Breakfast	10.553	13526	539,776
Meals Supplements - Snack	10.556	[1]	108,433
National School Lunch Program - Supplements	10.555	[1]	120,718
Sub-total for Child Nutrition Cluster			2,888,041
Commodities [2]	10.565	13755	62,254
Total U.S. Department of Agriculture			2,950,295
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Billing Option	93.778	[1]	158,171
Total Expenditures of Federal Awards			$ 7,871,560

[1] Pass-Through Entity Identifying Number not available.
[2] Not included in the financial statements.

See accompanying note to supplementary information.

ORGANIZATION

The San Leandro Unified School District was established July 1, 1952 and consists of an area comprising approximately 15 square miles. The District operates eight elementary schools, two middle schools, one comprehensive high school, one adult school and one independent study center. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Monique Tate	President	2020
Leo Sheridan	Vice President	2018
Lance James	Clerk	2018
Victor Aguilar, Jr.	Member	2018
Evelyn Gonzalez	Member	2020
Peter Oshinski	Member	2020
Diana Prola	Member	2020

ADMINISTRATION

Michael McLaughlin, Ed. D.	Superintendent
Rosanna Mucetti, Ed. D.	Deputy Superintendent, Educational Services
John Thompson, Ed. D.	Assistant Superintendent, Human Resources
Kevin Collins, Ed. D.	Assistant Superintendent, Business and Operations

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,535.17	2,536.73
Fourth through sixth	1,945.80	1,947.23
Seventh and eighth	1,298.14	1,299.55
Ninth through twelfth	2,623.70	2,616.18
Total Regular ADA	8,402.81	8,399.69
Extended Year Special Education		
Transitional kindergarten through third	3.27	3.27
Fourth through sixth	2.24	2.24
Seventh and eighth	0.74	0.74
Ninth through twelfth	2.85	2.85
Total Extended Year Special Education	9.10	9.10
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.99	2.01
Fourth through sixth	5.15	4.81
Seventh and eighth	5.34	5.48
Ninth through twelfth	10.99	11.34
Total Special Education, Nonpublic, Nonsectarian Schools	23.47	23.64
Extended Year Special Education - Nonpublic		
Transitional kindergarten through third	0.18	0.18
Fourth through sixth	0.89	0.89
Seventh and eighth	0.82	0.82
Ninth through twelfth	1.78	1.78
Total Extended Year, Special Education Nonpublic Schools	3.67	3.67
Total ADA	8,439.05	8,436.10

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	43,380	180	N/A	Complied
Grade 1	50,400	56,760	180	N/A	Complied
Grade 2	50,400	56,760	180	N/A	Complied
Grade 3	50,400	56,760	180	N/A	Complied
Grade 4	54,000	56,760	180	N/A	Complied
Grade 5	54,000	56,760	180	N/A	Complied
Grade 6	54,000	58,395	180	N/A	Complied
Grade 7	54,000	58,395	180	N/A	Complied
Grade 8	54,000	58,395	180	N/A	Complied
Grade 9	64,800	65,837	180	N/A	Complied
Grade 10	64,800	65,837	180	N/A	Complied
Grade 11	64,800	65,837	180	N/A	Complied
Grade 12	64,800	65,837	180	N/A	Complied

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Building Fund
Balance, June 30, 2018, Unaudited Actuals	$ 33,090,141
Increase in:	
Accounts payable	(572,302)
Balance, June 30, 2018, Audited Financial Statements	$ 32,517,839

FORM ASSET	Form Asset
Balance, June 30, 2018, Unaudited Actuals	$ 231,349,838
Increase/(decrease) in:	
Construction in Progress	2,139,106
Buildings	2,637,665
Building Improvements	1,430,874
Equipment	627,388
Accumulated depreciation - Buildings	(21,375,592)
Accumulated depreciation - Site Improvements	(1,459,690)
Accumulated depreciation - Equipment	(1,551,988)
Balance, June 30, 2018, Audited Financial Statements	$ 213,797,601

	Form Debt
FORM DEBT	
Balance, June 30, 2018, Unaudited Actuals	$ 221,839,296
Increase in:	
General obligation bonds	1,000
General obligation bonds premimum	14,003,265
Decrease in:	
Compensated absences	(147,375)
Balance, June 30, 2018, Audited Financial Statements	$ 235,696,186

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND				
Revenues	$ 104,973,086	$ 100,131,782	$ 94,675,929	$ 92,895,132
Other sources	-	-	288,000	270,049
Total Revenues and Other Sources	104,973,086	100,131,782	94,963,929	93,165,181
Expenditures	103,901,493	98,893,852	94,135,652	91,068,816
Other uses and transfers out	130,000	224,566	128,583	1,090,616
Total Expenditures and Other Uses	104,031,493	99,118,418	94,264,235	92,159,432
INCREASE (DECREASE) IN FUND BALANCE	$ 941,593	$ 1,013,364	$ 699,694	$ 1,005,749
ENDING FUND BALANCE	$ 8,534,174	$ 7,592,581	$ 6,579,217	$ 5,879,523
AVAILABLE RESERVES [2]	$ 3,120,945	$ 3,422,941	$ 2,827,798	$ 2,764,803
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.45%	3.00%	3.00%
LONG-TERM OBLIGATIONS	$ 225,315,897	$ 235,696,186	$ 243,504,807	$ 201,032,302
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,439	8,439	8,240	8,166

The General Fund has increased by $1,713,058 over the past two years. The fiscal year 2018-2019 budget projects an increase of $941,593 (12 percent). For a district this size, the State recommends available unrestricted reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the last three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $34,663,884 over the past two years.

Average daily attendance has increased by 273 ADA over the past two years. No change to ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 1,494,519	$ 2,011,438	$ 963,165	$ 2,321,958	$ 6,791,080
Receivables	230,602	506,714	16,416	11,355	765,087
Due from other funds	224,566	3,633	-	-	228,199
Stores inventories	-	29,434	-	-	29,434
Total Assets	$ 1,949,687	$ 2,551,219	$ 979,581	$ 2,333,313	$ 7,813,800
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 86,629	$ 24,621	$ 448,498	$ -	$ 559,748
Due to other funds	128,584	249,663	-	-	378,247
Total Liabilities	215,213	274,284	448,498	-	937,995
Fund Balances:					
Nonspendable	-	29,434	-	-	29,434
Restricted	1,207,817	2,247,501	531,083	923,958	4,910,359
Assigned	526,657	-	-	1,409,355	1,936,012
Total Fund Balances	1,734,474	2,276,935	531,083	2,333,313	6,875,805
Total Liabilities and Fund Balances	$ 1,949,687	$ 2,551,219	$ 979,581	$ 2,333,313	$ 7,813,800

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ 407,362	$ 2,888,041	$ -	$ -	$ 3,295,403
Other State sources	1,661,357	218,248	-	-	1,879,605
Other local sources	210,725	618,437	416,339	611,424	1,856,925
Total Revenues	2,279,444	3,724,726	416,339	611,424	7,031,933
EXPENDITURES					
Current					
Instruction	1,070,899	-	-	-	1,070,899
Instruction-related activities:					
Supervision of instruction	221,875	-	-	-	221,875
School site administration	825,080	-	-	-	825,080
Pupil services:					
Food services	-	3,407,322	-	-	3,407,322
Administration:					
All other administration	128,584	249,592	-	-	378,176
Plant services	91,929	-	218,517	156,742	467,188
Facility acquisition and construction	-	-	448,498	13,803	462,301
Debt service				-	
Principal	84,291	-	82,003	-	166,294
Interest and other	11,533	-	28,202	-	39,735
Total Expenditures	2,434,191	3,656,914	777,220	170,545	7,038,870
Excess (Deficiency) of Revenues Over Expenditures	(154,747)	67,812	(360,881)	440,879	(6,937)
Other Financing Sources (Uses)					
Transfers in	224,566	-	-	-	224,566
Net Financing Sources (Uses)	224,566	-	-	-	224,566
NET CHANGE IN FUND BALANCES	69,819	67,812	(360,881)	440,879	217,629
Fund Balance - Beginning	1,664,655	2,209,123	891,964	1,892,434	6,658,176
Fund Balance - Ending	$ 1,734,474	$ 2,276,935	$ 531,083	$ 2,333,313	$ 6,875,805

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 7,809,796
Youth Risk Behaviour Survey		(490)
Commodities	10.550	62,254
Total Schedule of Expenditures of Federal Awards		$ 7,871,560

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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

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

Governing Board
San Leandro Unified School District
San Leandro, California

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 San Leandro Unified 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 San Leandro Unified School District's basic financial statements, and have issued our report thereon dated November 8, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 14 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Leandro Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of San Leandro Unified School District in a separate letter dated November 8, 2018.

San Leandro Unified School District's Response to Finding

San Leandro Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. San Leandro Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 8, 2018

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

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

Governing Board
San Leandro Unified School District
San Leandro, California

Report on Compliance for Each Major Federal Program

We have audited San Leandro Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Leandro Unified School District's major Federal programs for the year ended June 30, 2018. San Leandro Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of San Leandro Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Leandro Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Leandro Unified School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 8, 2018

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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
San Leandro Unified School District
San Leandro, California

Report on State Compliance

We have audited San Leandro Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the San Leandro Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the San Leandro Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about San Leandro Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of San Leandro Unified School District's compliance with those requirements.

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

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	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools, Middle College or Early College, or Apprenticeship programs; therefore, we did not perform any procedures related to Juvenile Court Schools, Middle or Early College, or the Apprenticeship program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study Course Based Program; therefore, we did not perform any procedures for the Independent Study Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 8, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.556	Child Nutrition Cluster

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

STATE AWARDS

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

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2018-001 Accounts Payable Accruals (Code 30000)

Criteria or Specific Requirement
The completeness and accuracy criteria of recording expenses in the proper time period under Generally Accepted Accounting Principles indicate that an analysis should be performed on services provided prior to the fiscal year end to determine if an expense should be recorded through the posting of an accounts payable for expenses that have not been paid by the fiscal year end. When actual values are not available, due to invoices not having been received or other situations, the District should review the facts and circumstances of the services or materials provided, consider contacting the vendor or using other methods, to accrue an estimated amount based on the most current available information for any work completed or materials received by the fiscal year end.

Condition – Material Weakness
The District did not accrue approximately $572,000 for the cost of services provided during the 2017-18 fiscal year for Measure J1 projects that were in progress over the fiscal year-end.

Questioned Costs – Not applicable

Context
Services provided prior to June 30, 2018 had not been accrued.

Effect
The accounts payable and related expense accounts were understated in the Measure J1 Fund. The District accepted the proposed audit adjustment and the attached report reflects the inclusion of this amount.

Cause
The District process for estimating liabilities when no invoice has been received was not effective.

Recommendation
The District should ensure that part of the fiscal year end close process is to verify that invoices have been received for all ongoing projects or amounts have been estimated where applicable. There are several methods that can be implemented if amounts need to be estimated, including estimates based on a prior month billing, estimating based on a percentage of completion, or estimating based on purchase order prices or contract rates.

Corrective Action Plan

The District agrees with this finding and recommendation. The $572,000 in the unidentified accrual was due to late invoices received from contractors on construction projects. Such late invoices can occur in future years. To provide more accurate accruals in future years, the project managers will provide the Fiscal Services staff with an estimate of construction work completed but not yet billed at year-end.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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