DUBLIN UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

DUBLIN UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017
(Continued)

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DUBLIN UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dublin Unified School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 10, the General Fund Budgetary Comparison Schedule, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 42 to 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of Dublin Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dublin Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
March 14, 2018

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of Dublin Unified School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). 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 two 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 agency funds, which only report a balance sheet and do not have a measurement focus.

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 Dublin Unified School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District’s reserve for economic uncertainty was $2,315,341 in General Fund, and the Special Reserve balance was $14,844,003, which is included with the General Fund for the purposes of financial reporting.

- The enrollment was at high growth level of 10,659 students at end of year.

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 positions the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* 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 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*, the District activities are presented as follows:

Governmental activities - Most 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 Federal government and the State of California.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *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 $251,170,261 and $252,983,213 for the fiscal years ended June 30, 2017 and 2016, respectively. Of this amount, $(76,196,634) and $(81,547,307) were unrestricted for each respective year. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net position for day-to-day operations. Our analysis below focuses on the ending net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	**2016**
Current and other assets	$ 193,401,462	$ 137,798,486
Capital assets	537,468,179	527,179,079
Total Assets	**730,869,641**	**664,977,565**
Deferred outflows of resources – pensions (Notes 7 and 8)	29,628,884	13,908,864
Deferred loss on refunding of debt	3,274,654	3,144,576
Total deferred outflows	**32,903,538**	**17,053,440**
Current liabilities	18,454,078	17,004,347
Long-term debt	491,493,840	404,372,445
Total Liabilities	**509,947,918**	**421,376,792**
Net Position		
Net investment in capital assets	295,906,331	304,756,401
Restricted:		
Legally restricted programs	3,367,747	2,415,215
Capital projects	12,402,302	14,022,266
Debt Service	15,690,515	13,336,638
Unrestricted	(76,196,634)	(81,547,307)
Total Net Position	**$** 251,170,261	**$ 252,983,213**

The unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to, we could pay off all of our bills *today* including all of our non-capital liabilities (compensated absences, as an example). The State portion of our employee retirement has entered our books in the interest of transparency.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. 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

	Governmental Activities	
	2017	**2016**
Revenues:		
Program revenues		
Charges for services	$ 6,620,009	$ 10,230,960
Operating grants and contributions	15,417,597	13,724,549
Capital grants and contributions	-	47
General Revenue:		
Federal and State aid	45,061,565	43,086,863
Property taxes	59,363,430	51,600,167
Other general revenues	1,582,072	2,924,972
Total Revenues	**128,044,673**	**121,567,558**
Expenses:		
Instruction and instruction related	87,125,754	78,624,301
Student support services	9,467,775	7,426,334
Administration	6,869,280	6,163,710
Maintenance and operations	14,290,758	14,002,089
Other	12,104,058	14,513,566
Total Expenses	**129,857,625**	**120,730,000**
Change in Net Position	**$ (1,812,952)**	**$ (837,558)**

Governmental Activities

The cost of all of our governmental activities was $129,857,625 and $120,730,000 for 2017 and 2016, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $59,363,430 and $51,600,167 for 2017 and 2016. The cost was paid by those who benefited from the programs with $6,620,009 and $10,230,960 for 2017 and 2016 or by other governments and organizations who subsidized certain programs with grants and contributions $15,417,597 and $13,724,549 for 2017 and 2016. We paid for the remaining "public benefit" portion of our governmental activities with State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's seven largest functions - regular program instruction, guidance and counseling, school administration, pupil transportation, administration, maintenance and operations, and other services as well as each program's *net* cost. 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

	Net Cost of Services	
	2017	**2016**
Instruction	$ 65,619,088	$ 60,154,880
Guidance and counseling	3,347,476	3,208,316
School Administration	6,518,847	5,951,283
Pupil Transportation	797,074	354,302
Administration	11,061,051	5,612,406
Maintenance and operations	13,919,509	12,455,676
Other	6,556,974	9,037,581
Net Cost of Governmental Activities	**$ 107,820,019**	**$ 96,774,444**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $179,971,786 which is an increase of $51,524,524.

The primary reasons for this change:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund, including the Special Reserve Fund, increased from $23,542,532 to $29,143,718. This increase is due to continued unprecedented enrollment growth and continued conservative spending.
2. Our Building Fund balance increased from $77,137,607 to $122,202,923. The primary reason for the increase was the proceeds from issuance of general obligation bonds.
3. Our Capital Facilities Fund increased from $14,022,266 to $12,402,302. The primary reason for the decrease was the expenditure of funds for capital project.
4. Our aggregate non-major fund balance collectively increased from $408,219 to $532,328.

General Fund Budgetary Highlights

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

- Actual LCFF sources increased beyond our original budget primarily because of strong enrollment growth.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $537,468,179 in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. This amount represents a net increase (including additions, deductions and depreciation) of $10,289,100.

Table 4

	2017	2016
Land	$ 207,622,043	$ 207,622,043
Construction in progress	29,866,449	12,016,145
Building and improvements	297,145,827	304,498,639
Equipment	2,833,860	3,042,252
Total Capital Assets, net of depreciation	**$ 537,468,179**	**$ 527,179,079**

Long-Term Obligations

At the end of this year, the District had $343,515,415 million in bonds outstanding versus $284,743,405 million last year. The long-term obligations of the District included the following:

Table 5

	2017	2016
General Obligation Bonds	$ 343,515,415	$ 284,743,405
Accreted Interest on GO Bonds	20,789,415	23,189,810
Premium on refinancing	23,524,010	17,934,230
Net pension liability (Note 7 and 8)	103,665,000	78,505,000
Total Long-Term Liabilities	**$ 491,493,840**	**$ 404,372,445**

We present more detailed information regarding our long-term liabilities in Note 5 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017/2018 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Average Daily attendance will grow by 617 ADA.
2. At budget adoption we had not settled with our bargaining groups.
3. The District revenue under LCFF is now $90,798,651.

Expenditures are based on the following forecasts:

	Enrollment
Grades kindergarten through fifth	6,080
Grades six through eight	2,530
Grades nine through twelve	2,810

The new items specifically addressed in the budget are:

- Step and Column pay schedules are being implemented for all bargaining units.
- Increases have been budgeted for both the rate contributions to the California State Teachers Retirement System (CalSTRS) and California Public Employees Retirement System (CalPERS).

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 Dublin Unified School District, 7471 Larkdale Avenue, Dublin, California, 94568-1599.

BASIC FINANCIAL STATEMENTS

DUBLIN UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 189,016,486
Receivables	4,270,717
Prepaid expenses	11,079
Stores inventory	103,180
Non-depreciable capital assets (Note 4)	237,488,492
Depreciable capital assets, net of accumulated depreciation (Note 4)	299,979,687
Total assets	730,869,641
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	29,628,884
Deferred loss on refunding of debt	3,274,654
Total deferred outflows	32,903,538
LIABILITIES	
Accounts payable	18,412,687
Unearned revenue	41,391
Long-term liabilities (Note 5):	
Due within one year	9,211,357
Due after one year	482,282,483
Total liabilities	509,947,918
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	2,655,000
NET POSITION	
Net investment in capital assets	295,906,331
Restricted:	
Legally restricted programs	3,367,747
Capital projects	12,402,302
Debt Service	15,690,515
Unrestricted	(76,196,634)
Total net position	$ 251,170,261

See accompanying notes to financial statements.

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 76,039,258	$ 433	$ 10,419,737	$ -	$ (65,619,088)
Instruction-related services:					
Supervision of instruction	3,457,451	359	781,333	-	(2,675,759)
Instructional library, media and technology	680,757	-	9,040	-	(671,717)
School site administration	6,948,288	110	429,331	-	(6,518,847)
Pupil services:					
Home-to-school transportation	1,367,302	-	570,228	-	(797,074)
Food services	2,351,647	1,797,170	476,320	-	(78,157)
All other pupil services	5,748,826	-	1,182,967	-	(4,565,859)
General administration:					
Data processing	2,080,169	-	-	-	(2,080,169)
All other general administration	4,789,111	51	452,194	-	(4,336,866)
Plant services	14,290,758	322,458	48,791	-	(13,919,509)
Ancillary services	506,552	-	26,702	-	(479,850)
Interest on long-term liabilities	10,830,354	-	-	-	(10,830,354)
Other outgo	767,152	4,499,428	1,020,954	-	4,753,230
Total governmental activities	$ 129,857,625	$ 6,620,009	$ 15,417,597	$ -	(107,820,019)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	43,940,708
Taxes levied for debt service	13,783,183
Taxes levied for other specific purposes	1,639,539
Federal and state aid not restricted to specific purposes	45,061,565
Interest and investment earnings	165,180
Miscellaneous	1,416,892
Total general revenues	106,007,067
Change in net position	(1,812,952)
Net position, July 1, 2016	252,983,213
Net position, June 30, 2017	$ 251,170,261

See accompanying notes to financial statements.

DUBLIN UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	$ 29,408,275	$ 124,616,059	$ 15,607,291	$ 15,665,643	$ 948,776	$ 186,246,044
Cash in revolving fund	75,000	-	-	-	-	75,000
Cash on hand and in banks	2,612,257	-	83,185	-	-	2,695,442
Receivables	4,245,167	61	-	24,872	617	4,270,717
Due from other funds	470,139	-	4,625,000	-	33,220	5,128,359
Prepaid expenditures	11,079	-	-	-	-	11,079
Stores inventory	66,049	-	-	-	37,131	103,180
Total assets	$ 36,887,966	$ 124,616,120	$ 20,315,476	$ 15,690,515	$ 1,019,744	$ 198,529,821
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 3,044,637	$ 2,413,197	$ 7,913,174	$ -	$ 17,277	$ 13,388,285
Unearned revenue	41,391	-	-	-	-	41,391
Due to other funds	4,658,220	-	-	-	470,139	5,128,359
Total liabilities	7,744,248	2,413,197	7,913,174	-	487,416	18,558,035
Fund balances:						
Nonspendable	152,128	-	-	-	37,131	189,259
Restricted	2,835,419	122,202,923	12,402,302	15,690,515	495,197	153,626,356
Assigned	8,996,827	-	-	-	-	8,996,827
Unassigned	17,159,344	-	-	-	-	17,159,344
Total fund balances	29,143,718	122,202,923	12,402,302	15,690,515	532,328	179,971,786
Total liabilities and fund balances	$ 36,887,966	$ 124,616,120	$ 20,315,476	$ 15,690,515	$ 1,019,744	$ 198,529,821

See accompanying notes to financial statements.

DUBLIN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - Governmental Funds		$ 179,971,786
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $602,481,723 and the accumulated depreciation is $65,013,544 (Note 4).		537,468,179
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2017 consisted of (Note 5):		
General Obligation Bonds	$ (343,515,415)	
Accreted interest	(20,789,415)	
Unamortized premiums	(23,524,010)	
Net pension liability (Notes 7 and 8)	(103,665,000)	
		(491,493,840)
In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt is reported as deferred outflows of resources.		3,274,654
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).		
Deferred outflows of resources relating to pensions	$ 29,628,884	
Deferred inflows of resources relating to pensions	(2,655,000)	
		26,973,884
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(5,024,402)
Total net position - governmental activities		$ 251,170,261

See accompanying notes to financial statements.

DUBLIN UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	$ 41,053,776	$ -	$ -	$ -	$ -	$ 41,053,776
Local sources	43,940,708	-	-	-	-	43,940,708
Total LCFF	84,994,484	-	-	-	-	84,994,484
Federal sources	1,926,421	-	-	-	444,008	2,370,429
Other state sources	10,120,782	15	-	68,416	470,729	10,659,942
Other local sources	8,080,093	518,800	4,904,548	13,844,845	1,811,970	29,160,256
Total revenues	105,121,780	518,815	4,904,548	13,913,261	2,726,707	127,185,111
Expenditures:						
Current:						
Certificated salaries	52,765,904	-	-	-	207,161	52,973,065
Classified salaries	13,875,008	630,569	136,498	-	1,043,551	15,685,626
Employee benefits	18,968,187	173,638	37,691	-	356,944	19,536,460
Books and supplies	2,915,965	559,000	369,576	-	902,792	4,747,333
Contract services and operating expenditures	9,571,641	1,996,740	827,626	160,733	75,159	12,631,899
Other outgo	767,152	-	-	-	-	767,152
Capital outlay	673,728	12,218,292	5,153,121	-	-	18,045,141
Debt service:						
Principal retirement	-	-	-	5,500,786	-	5,500,786
Interest	-	-	-	9,847,856	-	9,847,856
Total expenditures	99,537,585	15,578,239	6,524,512	15,509,375	2,585,607	139,735,318
Excess (deficiency) of revenues over (under) expenditures	5,584,195	(15,059,424)	(1,619,964)	(1,596,114)	141,100	(12,550,207)
Other financing sources (uses):						
Transfers in	16,991	-	-	-	-	16,991
Transfers out	-	-	-	-	(16,991)	(16,991)
Proceeds from issuance of debt	-	60,000,000	-	14,600,000	-	74,600,000
Premium on issuance of debt	-	124,740	-	6,838,153	-	6,962,893
Deposit to refunding escrow account	-	-	-	(17,488,162)	-	(17,488,162)
Total other financing sources (uses)	16,991	60,124,740	-	3,949,991	(16,991)	64,074,731
Net change in fund balances	5,601,186	45,065,316	(1,619,964)	2,353,877	124,109	51,524,524
Fund balances, July 1, 2016	23,542,532	77,137,607	14,022,266	13,336,638	408,219	128,447,262
Fund balances, June 30, 2017	$ 29,143,718	$ 122,202,923	$ 12,402,302	$ 15,690,515	$ 532,328	$ 179,971,786

See accompanying notes to financial statements.

DUBLIN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net change in fund balances - Total Governmental Funds		$ 51,524,524
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	$ 17,850,304	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(7,561,204)	
Payments made to the refunding escrow account related to the refunding of long-term liabilities are other financing uses in the governmental funds, but decrease long-term liabilities in the statement of net position (Note 5).	10,327,204	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	5,500,786	
Issuance of long-term liabilities are recognized as other financing sources in the governmental funds, but increases to long-term liabilities in the statement of net position (Note 5).	(74,600,000)	
Accreted interest is not recorded in the governmental funds until it becomes due, but increases the long-term liabilities in the statement of net position (Note 5).	2,400,395	
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide financial statements debt issued at a premium is amortized as interest over the life of the debt (Note 5).	(5,589,780)	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.	2,628,721	
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(4,423,980)	
In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shortened life of the refunded or refunding debt. The amount deferred as a result of the current year refunding was $408,686 and the current year amortization as $278,608 (Note 5).	130,078	(53,337,476)
Change in net position of governmental activities		$ (1,812,952)

See accompanying notes to financial statements.

DUBLIN UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2017

ASSETS	
Cash on hand and in banks (Note 2)	$ 1,003,487
LIABILITIES	
Due to student groups	$ 1,003,487

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dublin Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

Reporting Entity: The Governing Board is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the GASB since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the balance of the Special Reserve for Other Than Capital Outlay Projects Fund is included with the General Fund.

Building Fund:

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities of the District.

Capital Facilities Fund:

The Capital Facilities Fund is a capital projects fund used to account for resources received from fees levied on developers or other agencies as a condition of approving a development within the boundaries of the District.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This classification includes the Adult Education, Cafeteria, and Deferred Maintenance Funds.

The Agency Fund is used to account for the various funds for which the District acts as an agent. This classification consists of the Student Body Accounts.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Governing Board must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Governing Board complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was necessary at June 30, 2017.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate as of June 30, 2017:

	STRP	PERF B	Total
Deferred outflows of resources	$ 22,188,938	$ 7,439,946	$ 29,628,884
Deferred inflows of resources	$ 1,987,000	$ 668,000	$ 2,655,000
Net pension liability	$ 81,438,000	$ 22,227,000	$ 103,665,000
Pension expense	$ 15,321,156	$ 3,386,503	$ 18,707,659

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all STRP employees and certain PERF B employees, when the employee retires.

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Governing Board is required to remove any commitment from any fund balance. At June 30, 2017, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Governing Board has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Governing Board has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2017 no formal designation of assignment authority has occurred and the Governing Board retains ultimate authority for assigning fund balance.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

<u>Fund Balance Policy</u>: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Governing Board. At June 30, 2017, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Relationships: The Agency Fund represents the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Alameda bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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

Elimination and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 186,246,044	$ -
Deposits:		
Cash on hand and in banks	2,695,442	1,003,487
Cash in revolving fund	75,000	-
Totals	$ 189,016,486	$ 1,003,487

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Alameda County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata 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.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's accounts was $3,773,929 and the bank balances were $3,902,446. Of the bank balances, $307,552 was insured by the FDIC and $3,594,894 was uninsured, but remained collateralized.

Interest Rate Risk: The District allows investments with Federal Government Issues that have a maturity date of five years or less. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District may invest as permitted by state law all or part of the special revenue fund of the District or any surplus monies not required for immediate District operations. Such investments shall be limited to securities in Government Code 16430, 53601, and 53635. At June 30, 2017, the District had no significant credit risk.

Concentration of Credit Risk: The District limits investments with Federal Government Issues which may not exceed 1/5 of the investable fund, Time Certificates of Deposit which may not exceed $100,000 per financial institution and State of California Issues which may not exceed 1/5 of the investable fund. At June 30, 2017, the District had no concentration of credit risk.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2017 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 470,139	$ 4,658,220
Capital Facilities	4,625,000	-
Non-Major Funds:		
Adult Education	33,220	20,139
Cafeteria	-	450,000
Totals	$ 5,128,359	$ 5,128,359

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect cost support.	$ 16,991

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Transfers and Additions	Transfers and Deductions	Balance June 30, 2017
Non-depreciable:				
Land	$ 207,622,043	$ -	$ -	$ 207,622,043
Work-in-process	12,016,145	17,850,304	-	29,866,449
Depreciable:				
Buildings	349,745,685	-	-	349,745,685
Improvement of sites	9,754,298	-	-	9,754,298
Equipment	5,493,248	-	-	5,493,248
Totals, at cost	584,631,419	17,850,304	-	602,481,723
Less accumulated depreciation:				
Buildings	(51,567,246)	(6,948,216)	-	(58,515,462)
Improvement of sites	(3,434,098)	(404,596)	-	(3,838,694)
Equipment	(2,450,996)	(208,392)	-	(2,659,388)
Total accumulated depreciation	(57,452,340)	(7,561,204)	-	(65,013,544)
Capital assets, net	$ 527,179,079	$ 10,289,100	$ -	$ 537,468,179

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 7,095,615
School Site administration	2,262
Food services	12,324
Data processing	357,862
General administration	6,019
Plant services	87,122
Total depreciation expense	$ 7,561,204

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On August 2, 2007, the District issued Election of 2004 Series "B" General Obligation Bonds totaling $50,000,000. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. Certain maturities of the 2004 Series B Bonds were refunded through the issuance of 2015 General Obligation Refunding Bonds. The remaining 2004 Series B GO Bonds bear interest at 4.25% per annum and are scheduled to mature through August 1, 2017.

On August 2, 2007, the District issued 2004 General Obligation Bonds, Election 2004 Series "C" General Obligation Bonds totaling $14,998,934. The 2004 Series C Bonds were issued as Capital Appreciation Bonds and repayment is made from special parcel tax revenues levied in connection with this bond authorization. Certain maturities of the 2004 Series B GO Bonds were refunded through the issuance of 2016 General Obligation Refunding Bonds. The remaining 2004 Series C Bonds bear interest at 4.45% per annum and are scheduled to mature through August 1, 2017.

On September 7, 2009, the District issued 2004 General Obligation Bonds, Election 2004 Series "D" General Obligation Bonds totaling $9,235,858. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest rates from 5.82% to 10.12% and are scheduled to mature through August 1, 2034.

On September 7, 2009, the District issued 2004 General Obligation Bonds, Election 2004 Series "E" General Obligation Bonds totaling $26,763,908. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest rates from 6.45% to 11.10% and are scheduled to mature through August 1, 2044.

On October 10, 2010, the District issued 2010 General Obligation Refunding Bonds totaling $16,470,000. The proceeds were used to refund the remaining $16,605,000 of the District's 2002 General Obligation Refunding Bonds. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 2.0% to 3.0%, and are scheduled to mature through August 1, 2021. No amounts of the refunded bonds are outstanding at June 30, 2017.

On October 3, 2012, the District issued 2012 General Obligation Refunding Bonds totaling $30,085,000. The proceeds were used to currently refund a portion of the outstanding balance of the District's 2005 General Obligation Bonds, Election of 2004 Series "A". Repayment of the 2012 GO Refunding Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 2.5% to 4.0%, and are scheduled to mature through August 1, 2029. No amounts of the refunded bonds are outstanding at June 30, 2017.

On March 7, 2013, the District issued Election of 2012 Series "A" General Obligation Bonds totaling $32,380,000, to finance new construction and modernization of school facilities. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest rates from 2.0% to 5.0% and are scheduled to mature through August 1, 2043.

On November 26, 2013, the District issued 2013 General Obligation Refunding Bonds totaling $17,255,000. The proceeds were used to advance refund the District's 2005 Refunding General Obligation Bonds. Repayment of the 2013 General Obligation Refunding Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 2.0% to 5.0%, and are scheduled to mature through August 1, 2023. No amounts of the refunded bonds are outstanding at June 30, 2017.

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

On February 6, 2014, the District issued 2014 General Obligation Bond Anticipation Notes totaling $25,000,000, to finance the acquisition and construction of educational facilities and projects. The General Obligation Bond Anticipation Notes are issued in anticipation of issuance of a series of the District's General Obligation Bonds approved by voters in 2012. The Bonds bear interest at 5.0% and are scheduled to mature on February 1, 2019.

On April 21, 2015, the District issued Election of 2012 Series "B" General Obligation Bonds totaling $40,620,000, to finance new construction and modernization of school facilities. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest rates from 3.25% to 5.00% and are scheduled to mature through August 1, 2045.

On April 21, 2015, the District issued 2015 General Obligation Refunding Bonds totaling $44,845,000. The proceeds were used to advance refund a portion of the District's Election of 2004, Series B General Obligation Bonds. Repayment of the 2015 General Obligation Refunding Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest at rates ranging from 3.0% to 5.0%, and are scheduled to mature through August 1, 2029. $46,000,000 of the refunded bonds are outstanding as of June 30, 2017.

On April 27, 2016, the District issued 2004 General Obligation Bonds, Election 2004 Series "F" General Obligation Bonds totaling $43,500,000. The bonds were issued to provide funding for construction and modernization of school facilities, as well as to provide for repayment of the District's 2011 Bond Anticipation Note. Repayment of the Series F Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest rates from 2.0% to 5.0% and are scheduled to mature through August 1, 2041.

On November 23, 2016, the District issued Election of 2016 Series "A" General Obligation Bonds totaling $60,000,000, to finance new construction and modernization of school facilities. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest rates from 3.125% to 5.000% and are scheduled to mature through August 1, 2046.

On November 23, 2016, the District issued 2016 General Obligation Refunding Bonds totaling $14,600,000. The proceeds were used to advance refund a portion of the District's Election of 2004 Series C General Obligation Bonds, which were originally issued as Capital Appreciation Bonds. As of June 30, 2017, $10,327,204 of the refunded Election of 2004 Series C Bonds were still outstanding and scheduled to be repaid on August 1, 2017. The 2016 GO Refunding Bonds bear interest at rates ranging from 4.0% to 5.0%, and are scheduled to mature through August 1, 2032.

Although the 2016 Refunding GO Bonds resulted in the recognition of an accounting loss of $408,686, for the year ended June 30, 2017, the District in effect reduced its aggregate debt service payments by $9.71 million over the next 16 years and obtained an economic gain of $5.89 million.

Calculation of the difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	$ 33,965,000
New debt service cash flows	24,257,875
Cash flow difference	$ 9,707,125
Present value of old debt service cash flows	$ 24,416,345
Present value of new debt service cash flows	18,517,733
Economic gain	$ 5,898,612

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The following is a schedule of outstanding General Obligation Bonds:

Series	Balance July 1, 2016	Current Year Proceeds	Current Year Maturities	Balance June 30, 2017
2004 GO Bonds, Series B	$ 950,000	$ -	$ 350,000	$ 600,000
2004 GO Bonds, Series C	11,853,639	-	11,092,990	760,649
2004 GO Bonds, Series D	9,235,858	-	-	9,235,858
2004 GO Bonds, Series E	26,763,908	-	-	26,763,908
2010 Refunding GO Bonds	9,250,000	-	1,800,000	7,450,000
2012 Refunding GO Bonds	27,590,000	-	1,400,000	26,190,000
2012 GO Bonds, Series A	29,610,000	-	405,000	29,205,000
2013 Refunding GO Bonds	15,525,000	-	780,000	14,745,000
2014 GO Bond Anticipation Notes	25,000,000	-	-	25,000,000
2012 GO Bonds, Series B	40,620,000	-	-	40,620,000
2015 Refunding GO Bonds	44,845,000	-	-	44,845,000
2004 GO Bonds, Series F	43,500,000	-	-	43,500,000
2016 GO Bonds, Series A	-	60,000,000	-	60,000,000
2016 Refunding GO Bonds	-	14,600,000	-	14,600,000
Totals	$ 284,743,405	$ 74,600,000	$ 15,827,990	$ 343,515,415

The General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 6,420,649	$ 9,609,817	$ 16,030,466
2019	39,810,000	12,048,794	51,858,794
2020	14,105,000	10,183,719	24,288,719
2021	8,450,000	9,730,394	18,180,394
2022	9,430,000	9,393,369	18,823,369
2023-2027	42,980,196	43,512,211	86,492,407
2028-2032	46,697,096	41,262,134	87,959,230
2033-2037	43,474,957	78,768,721	122,243,678
2038-2042	77,665,036	85,328,966	162,994,002
2043-2047	54,482,481	47,470,604	101,953,085
	$ 343,515,415	$ 347,308,729	$ 690,824,144

Accreted Interest

Series	Balance July 1, 2016	Accretion	Deductions	Balance June 30, 2017
2004 GO Bonds, Series C	$ 6,389,685	$ 916,652	$ 6,809,647	$ 496,690
2004 GO Bonds, Series D	4,183,828	865,319	-	5,049,147
2004 GO Bonds, Series E	12,616,297	2,627,281	-	15,243,578
Total Accreted Interest	$ 23,189,810	$ 4,409,252	$ 6,809,647	$ 20,789,415

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2017 is shown below:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
General Obligation Bonds	$ 284,743,405	$ 74,600,000	$ 15,827,990	$ 343,515,415	$ 6,420,649
Accreted interest	23,189,810	4,409,252	6,809,647	20,789,415	529,351
Unamortized premiums	17,934,230	6,962,893	1,373,113	23,524,010	2,261,357
Net pension liability (Notes 7 & 8)	78,505,000	25,160,000	-	103,665,000	-
Totals	$ 404,372,445	$ 111,132,145	$ 24,010,750	$ 491,493,840	$ 9,211,357

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for the net pension liability are made from the funds which the respective employee worked.

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	$ 75,000	$ -	$ -	$ -	$ -	$ 75,000
Stores inventory	66,049	-	-	-	37,131	103,180
Prepaid expenditures	11,079	-	-	-	-	11,079
Subtotal nonspendable	152,128	-	-	-	37,131	189,259
Restricted:						
Legally restricted programs	2,835,419	-	-	-	495,197	3,330,616
Capital projects	-	122,202,923	12,402,302	-	-	134,605,225
Debt service	-	-	-	15,690,515	-	15,690,515
Subtotal restricted	2,835,419	122,202,923	12,402,302	15,690,515	495,197	153,626,356
Assigned:						
STRS and PERS increases	6,153,631	-	-	-	-	6,153,631
One-time mandate grant	2,359,086	-	-	-	-	2,359,086
Instructional materials	484,110	-	-	-	-	484,110
Subtotal assigned	8,996,827	-	-	-	-	8,996,827
Unassigned:						
Designated for economic uncertainty	2,315,341	-	-	-	-	2,315,341
Undesignated	14,844,003	-	-	-	-	14,844,003
Subtotal unassigned	17,159,344	-	-	-	-	17,159,344
Total fund balances	$ 29,143,718	$ 122,202,923	$ 12,402,302	$ 15,690,515	$ 532,328	$ 179,971,786

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

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

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

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

CalSTRS 2% at 60

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

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

(Continued)

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

CalSTRS 2% at 62

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-2017. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-2017.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

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

The CalSTRS employer contribution rate increases effective for fiscal year 2016-2017 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $6,571,938 to the plan for the fiscal year ended June 30, 2017.

State - 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding(1)	Total State Appropriation to DB Program
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 01, 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.
(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

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

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

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

District's proportionate share of the net pension liability	$ 81,438,000
State's proportionate share of the net pension liability associated with the District	46,366,000
Total	$ 127,804,000

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2016, the District's proportion was 0.101 percent, which was an increase of .008 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $15,321,156 and revenue of $5,768,794 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,987,000
Net differences between projected and actual earnings on investments	6,474,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,143,000	-
Contributions made subsequent to measurement date	6,571,938	-
Total	$ 22,188,938	$ 1,987,000

(Continued)

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

$6,571,938 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2018	$ 1,487,475
2019	$ 1,487,475
2020	$ 4,974,051
2021	$ 3,729,667
2022	$ 1,301,167
2023	$ 650,165

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis and June 30, 2015 Actuarial Program Valuations for more information.

(Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$117,208,000	$ 81,438,000	$ 51,730,000

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

(Continued)

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

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-2017.

Employers - The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed $1,942,946 to the plan for the fiscal year ended June 30, 2017.

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

(Continued)

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

At June 30, 2017, the District reported a liability of $22,227,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2016, the District's proportion was 0.113 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $3,386,503. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 956,000	$ -
Changes of assumptions	-	668,000
Net differences between projected and actual earnings on investments	3,449,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,092,000	-
Contributions made subsequent to measurement date	1,942,946	-
Total	$ 7,439,946	$ 668,000

$1,942,946 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2018	$ 1,099,825
2019	$ 980,825
2020	$ 1,848,150
2021	$ 900,200

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

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

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

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

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

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 33,162,000	$ 22,227,000	$ 13,120,000

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

NOTE 9 - JOINT POWERS AUTHORITIES

Alameda County Schools Insurance Group: The District is a member with other school districts of a Joint Powers Authority, Alameda County Schools Insurance Group (ACSIG). ACSIG arranges for and provides workers' compensation insurance for its members. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the coverage in the prior year. The following is a summary of audited financial information for ACSIG at June 30, 2016 (the latest information available) :

Total assets	$	38,370,101
Deferred outflows	$	44,203
Total liabilities	$	30,621,577
Deferred inflows	$	63,483
Net position	$	7,729,244
Total revenues	$	152,251,135
Total expenses	$	145,393,809
Change in net position	$	6,857,326

Schools Excess Liability Fund: The District is also a member with other school districts of a Joint Powers Authority, School Excess Liability Fund (SELF), for the purpose of providing excess insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the coverage in the prior year. The following is a summary of the audited financial information for SELF at June 30, 2016 (the latest information available):

Total assets	$	138,820,266
Deferred outflows	$	266,414
Total liabilities	$	117,306,926
Deferred inflows	$	245,133
Net position	$	21,534,621
Total revenues	$	13,898,598
Total expenses	$	24,553,606
Change in net position	$	(10,655,008)

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

NOTE 10 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial statements or results of operations.

At June 30, 2017 the District had commitments for capital construction projects totaling approximately $28.5 million.

REQUIRED SUPPLEMENTARY INFORMATION

DUBLIN UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 44,134,748	$ 41,053,776	$ 41,053,776	$ -
Local sources	38,547,820	43,940,708	43,940,708	-
Total LCFF	82,682,568	84,994,484	84,994,484	-
Federal sources	1,436,945	1,926,421	1,926,421	-
Other state sources	6,380,854	10,120,782	10,120,782	-
Other local sources	7,296,865	8,080,093	8,080,093	-
Total revenues	97,797,232	105,121,780	105,121,780	-
Expenditures:				
Current:				
Certificated salaries	54,256,233	52,765,904	52,765,904	-
Classified salaries	15,119,371	13,875,008	13,875,008	-
Employee benefits	17,000,401	18,968,187	18,968,187	-
Books and supplies	4,209,748	2,915,965	2,915,965	-
Contract services and operating expenditures	12,488,682	9,571,641	9,571,641	-
Other outgo	767,152	767,152	767,152	-
Capital outlay	115,694	673,728	673,728	-
Total expenditures	103,957,281	99,537,585	99,537,585	-
(Deficiency) excess of revenues (under) over expenditures	(6,160,049)	5,584,195	5,584,195	-
Other financing sources (uses):				
Transfers in	133,998	16,991	16,991	-
Transfers out	(399,403)	-	-	-
Total other financing sources (uses)	(265,405)	16,991	16,991	-
Net change in fund balances	(6,425,454)	5,601,186	5,601,186	-
Fund balance, July 1, 2016	23,542,532	23,542,532	23,542,532	-
Fund balance, June 30, 2017	$ 17,117,078	$ 29,143,718	$ 29,143,718	$ -

See accompanying note to required supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017
District's proportion of the net pension liability	0.085%	0.093%	0.101%
District's proportionate share of the net pension liability	$ 49,563,000	$ 62,536,000	$ 81,438,000
State's proportionate share of the net pension liability associated with the District	29,928,000	33,074,000	46,366,000
Total net pension liability	$ 79,491,000	$ 95,610,000	$127,804,000
District's covered payroll	$ 37,777,000	$ 43,113,000	$ 50,180,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017
District's proportion of the net pension liability	0.102%	0.108%	0.113%
District's proportionate share of the net pension liability	$ 11,567,000	$ 15,969,000	$ 22,227,000
District's covered payroll	$ 10,696,000	$ 11,994,000	$ 13,501,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.63%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017
Contractually required contribution	$ 3,828,469	$ 5,384,361	$ 6,571,938
Contributions in relation to the contractually required contribution	(3,828,469)	(5,384,361)	(6,571,938)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 43,113,000	$ 50,180,000	$ 52,241,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017
Contractually required contribution	$ 1,411,764	$ 1,599,503	$ 1,942,946
Contributions in relation to the contractually required contribution	(1,411,764)	(1,599,503)	(1,942,946)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 11,994,000	$ 13,501,000	$ 13,990,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of the District’s Proportionate Share of the Net Pension Liability

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

C – Schedule of the District's Contributions

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

D – Changes of Benefit Terms

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

E - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, and 7.65 percent in the June 30, 2013, 2014, and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Total
ASSETS				
Cash and investments:				
Cash in County Treasury	$ 152,706	$ 521,358	$ 274,712	$ 948,776
Receivables	-	617	-	617
Due from other funds	33,220	-	-	33,220
Stores inventory	-	37,131	-	37,131
Total assets	$ 185,926	$ 559,106	$ 274,712	$ 1,019,744
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 393	$ 16,884	$ -	$ 17,277
Due to other funds	20,139	450,000	-	470,139
Total liabilities	20,532	466,884	-	487,416
Fund balances:				
Nonspendable	-	37,131	-	37,131
Restricted	165,394	55,091	274,712	495,197
Total fund balances	165,394	92,222	274,712	532,328
Total liabilities and fund balances	$ 185,926	$ 559,106	$ 274,712	$ 1,019,744

DUBLIN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Total
Revenues:				
Federal sources	$ -	$ 444,008	$ -	$ 444,008
Other state sources	448,066	22,663	-	470,729
Other local sources	3,885	1,806,821	1,264	1,811,970
Total revenues	451,951	2,273,492	1,264	2,726,707
Expenditures:				
Current:				
Certificated salaries	207,161	-	-	207,161
Classified salaries	26,847	1,016,704	-	1,043,551
Employee benefits	51,573	305,371	-	356,944
Books and supplies	20,558	882,234	-	902,792
Contract services and operating expenditures	8,826	44,217	22,116	75,159
Total expenditures	314,965	2,248,526	22,116	2,585,607
Excess (deficiency) of revenues over (under) expenditures	136,986	24,966	(20,852)	141,100
Other financing uses:				
Transfers out	(16,991)	-	-	(16,991)
Change in fund balances	119,995	24,966	(20,852)	124,109
Fund balances, July 1, 2016	45,399	67,256	295,564	408,219
Fund balances, June 30, 2017	$ 165,394	$ 92,222	$ 274,712	$ 532,328

DUBLIN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2017

STUDENT BODY ACCOUNTS	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Amador Elementary School				
Assets:				
Cash on hand and in banks	$ 16,484	$ 82,018	$ 65,600	$ 32,902
Liabilities:				
Due to student groups	$ 16,484	$ 82,018	$ 65,600	$ 32,902
Kolb Elementary School				
Assets:				
Cash on hand and in banks	$ 19,401	$ 85,156	$ 81,121	$ 23,436
Liabilities:				
Due to student groups	$ 19,401	$ 85,156	$ 81,121	$ 23,436
Murray Elementary School				
Assets:				
Cash on hand and in banks	$ -	$ 16,373	$ 10,865	$ 5,508
Liabilities:				
Due to student groups	$ -	$ 16,373	$ 10,865	$ 5,508
Frederiksen Elementary School				
Assets:				
Cash on hand and in banks	$ 3,235	$ 20,711	$ 20,264	$ 3,682
Liabilities:				
Due to student groups	$ 3,235	$ 20,711	$ 20,264	$ 3,682
Dougherty Elementary School				
Assets:				
Cash on hand and in banks	$ 52,181	$ 182,563	$ 188,656	$ 46,088
Liabilities:				
Due to student groups	$ 52,181	$ 182,563	$ 188,656	$ 46,088
Fallon Middle School				
Assets:				
Cash on hand and in banks	$ 107,409	$ 267,677	$ 289,201	$ 85,885
Liabilities:				
Due to student groups	$ 107,409	$ 267,677	$ 289,201	$ 85,885

(Continued)

DUBLIN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Wells Middle School				
Assets:				
Cash on hand and in banks	$ 78,329	$ 335,993	$ 309,705	$ 104,617
Liabilities:				
Due to student groups	$ 78,329	$ 335,993	$ 309,705	$ 104,617
Dublin High School				
Assets:				
Cash on hand and in banks	$ 709,268	$ 1,563,857	$ 1,571,756	$ 701,369
Liabilities:				
Due to student groups	$ 709,268	$ 1,563,857	$ 1,571,756	$ 701,369
TOTAL STUDENT BODY ACCOUNTS				
Assets:				
Cash on hand and in banks	$ 986,307	$ 2,554,348	$ 2,537,168	$ 1,003,487
Liabilities:				
Due to student groups	$ 986,307	$ 2,554,348	$ 2,537,168	$ 1,003,487

Dublin Unified School District was established in 1988 and comprises an area of approximately 15 square miles located in Alameda County. The District operates 6 elementary schools, 2 middle schools, 1 high school, a continuation high school, an independent study program and an adult education program. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

Name	Office	Term Expires
Megan Rouse	President	2018
Amy Miller	Vice President	2020
Dan Cunningham	Trustee	2020
Joe Giannini	Trustee	2020
Dan Cherrier	Trustee	2018

ADMINISTRATION

Dr. Leslie Boozer
Superintendent

Dr. Lisa Gonzales
Assistant Superintendent, Educational Services

Mr. Mark McCoy
Assistant Superintendent, Human Resources

Vacant*
Assistant Superintendent, Business Services

* Mr. Joe Sorrera was hired as the Assistant Superintendent, Business Services effective July 17, 2017.

DUBLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2017

	Second Period Report	Annual Report
Certificate #	D13514EF	D3FC6C66
Elementary:		
Transitional Kindergarten through Third	3,825	3,834
Fourth through Sixth	2,574	2,570
Seventh and Eighth	1,531	1,529
Total Elementary	7,930	7,933
Secondary:		
Ninth through Twelfth	2,498	2,494
	10,428	10,427

See accompanying notes to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2017

Grade Level	Statutory Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	41,580	180	In Compliance
Grade 1	50,400	54,670	180	In Compliance
Grade 2	50,400	54,670	180	In Compliance
Grade 3	50,400	54,670	180	In Compliance
Grade 4	54,000	54,670	180	In Compliance
Grade 5	54,000	54,670	180	In Compliance
Grade 6	54,000	55,814	180	In Compliance
Grade 7	54,000	55,804	180	In Compliance
Grade 8	54,000	55,814	180	In Compliance
Grade 9	64,800	67,526	180	In Compliance
Grade 10	64,800	67,526	180	In Compliance
Grade 11	64,800	67,526	180	In Compliance
Grade 12	64,800	67,526	180	In Compliance

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance, Part B	13379	$ 1,082,855
84.027A	Special Ed: IDEA Preschool Local Entitlement, Pt. B	13682	104,678
84.027A	Special Ed: IDEA Mental Health Allocation, Part B	14468	293,772
84.173	Special Ed: IDEA Preschool Grants, Part B	13430	31,147
84.173A	Special Ed: IDEA Preschool Staff Development	13431	115
	Subtotal Special Education Cluster		1,512,567
	Title III Programs:		
84.365	ESEA: Title III, English Learner Student Program	14346	62,126
84.365	ESEA: Title III, Immigrant Education Program	15146	16,122
	Subtotal Title III Programs		78,248
84.010	ESEA: Title I, Part A, Basic Grants Low Income	14329	208,187
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	87,122
	Total U.S. Department of Education		1,886,124
	U.S. Department of Health and Human Services - Passed through California Department of Education		
	Medicaid Cluster:		
93.778	Medi-Cal Billing Option	10013	76,434
	U.S. Department of Agriculture - Passed through California Department of Education		
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Programs	14198	444,008
	Total Federal Programs		$ 2,406,566

See accompanying notes to supplementary information.

There were no audit adjustments proposed to any funds of the District.

DUBLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2017
(UNAUDITED)

	(Budget) 2018	2017	2016	2015
General Fund				
Revenues and other financing sources	$110,040,899	$105,138,771	$ 98,906,158	$ 79,953,016
Expenditures	111,457,739	99,537,585	91,899,727	77,719,605
Other uses and transfers out	437,189	-	100,000	250,000
Total outgo	111,894,928	99,537,585	91,999,727	77,969,605
Change in fund balance	$ (1,854,029)	$ 5,601,186	$ 6,906,431	$ 1,983,411
Ending fund balance	$ 27,289,689	$ 29,143,718	$ 23,542,532	$ 16,636,101
Available reserves	$ 20,334,362	$ 17,159,344	$ 13,881,744	$ 12,480,439
Designated for economic uncertainties	$ 2,676,271	$ 2,315,341	$ 2,816,361	$ 3,901,352
Undesignated fund balances	$ 17,658,091	$ 14,844,003	$ 11,065,383	$ 8,579,087
Available reserves as percentages of total outgo	18.2%	17.2%	15.1%	5.1%
All Funds				
Total long-term liabilities	$482,282,483	$491,493,840	$404,372,445	$370,210,537
Average daily attendance at P-2	11,619	10,428	9,736	8,940

The General Fund fund balance has increased by $14,491,028 over the past three years. The District projects a decrease of $1,854,029 for the fiscal year ending June 30, 2018. For a district this size, the state requires available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2017, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, but anticipates an operating deficit during the 2017-18 fiscal year.

Total long-term liabilities have increased by $121,283,303 over the past two years, primarily due to the issuance of general obligation bonds.

Average daily attendance has increased by 1,488 over the past two years and is anticipated to increase by 1,191 ADA during the year ending June 30, 2018.

See accompanying notes to supplementary information.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report

The District does not sponsor any charter schools.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Dublin Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2017.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 2,370,429
Less:		
Medi-Cal Billing Funds spent from prior year awards	93.778	36,137
Total Schedule of Expenditure of Federal Awards		$ 2,406,566

D - Reconciliation of Unaudited Actual Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2017, the District did not offer an Early Retirement Incentive Program.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Governing Board
Dublin Unified School District
Dublin, California

Report on Compliance with State Laws and Regulations

We have audited Dublin Unified School District's compliance with the types of compliance requirements described in the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2017.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

The District's reported ADA for Independent Study was below the level that requires testing, therefore we did not perform any testing of Independent Study.

The District did not enter into any new Early Retirement Incentive Programs in the current year, therefore we did not perform any procedures related to Early Retirement Incentive Programs.

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

The District does not participate in the After School Safety and Education Program, therefore we did not perform any procedures related to After School Safety and Education Program.

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

The District submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

The District does not operate any charter schools, therefore we did not perform any procedures required for Charter Schools.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Dublin Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Dublin Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Dublin Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Dublin Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, Dublin Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
March 14, 2018

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

Governing Board
Dublin Unified School District
Dublin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dublin Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Dublin Unified School District's basic financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dublin 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 Dublin Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dublin Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2017-001 that we considered to be a significant deficiency.

(Continued)

Compliance and Other Matters

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

Dublin Unified School District's Response to Finding

Dublin Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Dublin Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
March 14, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Governing Board
Dublin Unified School District
Dublin, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dublin 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 Dublin 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 Dublin Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dublin 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, 2017.

(Continued)

Report on Internal Control Over Compliance

Management of Dublin 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 Dublin 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 Dublin Unified School District's internal control over compliance.

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
March 14, 2018

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	X Yes	______ None reported
Noncompliance material to financial statements noted?	______ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	X Yes	______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 SIGNIFICANT DEFICIENCY - FINANCIAL REPORTING (30000)

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

Turnover in the District's management team near fiscal year end resulted in a delay in the process of transferring capital asset additions into the capital assets software, and the calculation of associated depreciation expense for those additions.

Effect

The delays in updating capital asset additions and calculating the related depreciation resulted in a delay to the completion of the overall financial statements of the District, for the year ended June 30, 2017.

Cause

The District experienced turnover in the key management positions within its accounting department, in particular those positions which are responsible for accounting for capital assets.

Fiscal Impact

Not applicable.

Recommendation

Management should develop and implement an internal control process over capital assets which ensures new additions and the related depreciation expense are updated in the capital asset system in a timely manner, and which will not be impacted by turnover in the management team of the District.

Views of Responsible Officials and Planned Corrective Actions

Management plans to update its accounting procedures for capital assets to ensure that capital assets additions and depreciation are updated in a timely manner each year with the District's annual fiscal close process.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2016-001	Implemented.	

Condition: At various school sites selected for testing the following issues were noted:

- A check disbursement selected for examination did not include the required dual signature approval.
- While a dual count over inventory was in place, no documentation was noted to evidence the inventory count had been reviewed by an individual separate from those who prepared it.
- No formal record of profit and loss statements were prepared and/or reviewed by the Principal.

Recommendation: School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:

- All disbursements should include dual signature approval.
- Inventory counts should include formal documentation noting who conducted the dual count over inventory and who reviewed the completed inventory count.
- Profit and loss statements should be prepared regularly, and be reviewed by an individual separate from the preparer.