11/30/2018

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2018

Table of Contents

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

Page

FINDINGS AND QUESTIONED COSTS

Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Livermore Valley Joint Unified School District
Livermore, 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 Livermore Valley Joint Unified School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* 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 Livermore Valley Joint Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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Change in Accounting Principle

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a $6,997,210 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 62 to 65 and the schedule of expenditures of federal awards on page 66 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 61 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 27, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
November 27, 2018

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments) issued June 1999. Certain comparative information between the current and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

This section provides an overview of the District's financial activities.

- The District ended the 2017-18 fiscal year with a General Fund ending balance of approximately $13.7 million. Of this amount, $4.2 million is from restricted programs to be used in 2018-19 and $3.2 million is committed for revolving cash, stores inventory, and encumbered expenses. The Board has designated $4.6 million as a reserve for economic uncertainties which leaves $1.7 million available for future pension obligations.

- The District's largest operating expenditures are salaries and benefits. In 2018, the Board of Education approved a one-time 2.0% competitive compensation increase to all employees for 2018-19. The District is awaiting the new Governor's January Budget Proposal to begin the process of negotiating for future years.

- The District passed Measure J, a $245.0 million General Obligation bond measure, in June 2016 with a 66.84% approval. In October 2016, the District issued $82 million to begin repairing and upgrading the District's aging facilities to ensure a safe and modern education environment. New play structures at the elementary schools and new stadium seating and track resurfacing at the high schools are a few of the projects near completion.

- The District entered into a Power Purchase Agreement with SunPower to install solar shade structures at most all of our school sites. This is projected to save the District $16.5 million over the next 25 years.

FUND FINANCIAL STATEMENTS

The District tracks revenue and expenditures for accounting purposes through thirteen active funds. Some funds are required by bond covenants and by State law and other funds are established by the District to control and manage a variety of activities for particular purposes, such as repaying its long-term debts. The detailed information about the most significant funds is provided in the fund financial statements.

The District maintains three classes of funds:

1. **Governmental funds**: Most of the District's basic services are included in governmental funds, which include the General Fund (01), the Building Fund (21), the Capital Facilities Fund (25), the County Schools Facility Fund (35), the Bond Interest and Redemption Fund (51), special revenue funds (11, 12, and 13), and special reserve funds (14, 17, and 20). These funds generally focus on how cash and other financial assets flow into and out of those funds and the balances left at year-end that are available for spending in subsequent years.

FUND FINANCIAL STATEMENTS (continued)

1. **Governmental funds (continued)**: Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2. **Proprietary funds:** The proprietary fund category includes Enterprise and Internal Service Funds. The Internal Service funds report activities that provide supplies and services for other programs and activities of the District. The District has no Enterprise funds. Proprietary funds are reported in the same way as the district-wide statements. Currently, the District has one internal service fund—the Property Self-Insurance Fund (67).

3. **Fiduciary funds:** The fiduciary funds record assets that are not technically the property of the District, such as scholarship funds and student activities funds. In this category, the District has several Student Body Funds and one Scholarship Fund (73). The District, as trustee or fiduciary, is responsible by law for ensuring that these funds are used only for their intended purpose and by those to whom the assets belong. The District reports the activity in each fund in a separate statement of net position. The transactions in these funds are excluded from the district-wide financial statements because the assets are unavailable for use by the District.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year. It is prepared using the accrual basis of accounting, which is similar to that used by most private-sector businesses. The Statement of Net Position is a "point in time" financial statement. Its purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data for assets, deferred outflows/inflows, liabilities (current and non-current) and net position (assets plus deferred outflows minus liabilities minus deferred inflows).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets, deferred outflows and total liabilities, deferred inflows (net position) is one indicator of the current financial condition of the District. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. In this regard, assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The net position is presented in two major categories. The first category provides the information in regards to equity amounts in property, plant, and equipment owned by the District. The second category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

STATEMENT OF NET POSITION (continued)
The Statement of Net Position as of June 30, 2017 and June 30, 2018 is summarized below:

	2017*	2018
Assets		
Cash [1]	$ 126,385,221	$ 116,650,917
Accounts receivable and prepaid expenditures	10,573,961	4,173,938
Stores inventories	237,675	236,555
Capital assets, net	137,135,602	146,851,829
Total Assets	274,332,459	267,913,239
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	27,319,856	41,317,099
Deferred amounts on refunding	1,085,711	980,087
Total Deferred Outflows of Resources	28,405,567	42,297,186
Liabilities		
Long-term liabilities	167,324,973	154,060,757
Net pension liability	123,291,880	144,254,796
Other liabilities	19,751,056	18,927,175
Total Liabilities	310,367,909	317,242,728
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	9,223,405	6,417,920
Deferred inflows of resources - OPEB	-	61,544
Total Deferred Inflows of Resources	9,223,405	6,479,464
Net Position		
Net investment in capital assets	61,905,414	68,173,220
Restricted	25,215,399	25,953,498
Unrestricted	(103,974,101)	(107,638,485)
Total Net Position	$ (16,853,288)	$ (13,511,767)

* As restated due to the implementation of GASB 75. See Note 1.J.1. for more information.

[1] Includes bond funds on deposit with the Alameda County Treasurer.

- Cash is invested with the Alameda County Treasury as is explained in the notes accompanying the financial statements.
- Accounts receivable are primarily amounts due from the State and Federal government for the operation of categorical programs.
- Long-term liabilities includes the State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS) net pension liability based on GASB 68.
- Other liabilities consist of accounts payable to vendors, payroll and related expenses as well as unearned revenues for categorical programs deferred into the next fiscal year.

STATEMENT OF ACTIVITIES

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Activities. The purpose of this statement is to present the total revenues earned, whether received or not and the total expenses incurred, whether paid or not, by all the District's governmental funds. Thus, this Statement presents the District's results of operations in all governmental and proprietary funds.

The Statement of Activities for the year ended June 30, 2017 and for the year ended June 30, 2018 is summarized below:

	2017	2018
Revenues		
Program revenues:		
Charges for services	$ 1,803,483	$ 1,975,113
Operating grants and contributions	23,961,294	24,350,350
General revenues:		
Property taxes	73,249,486	77,236,451
Grants, subsidies and contributions unrestricted	55,957,187	58,865,570
Interest and investment earnings	497,234	1,090,076
Transfers from other agencies	691,285	534,915
Other	4,128,813	4,637,168
Gain on sale of property	8,621,279	-
Total revenues	168,910,061	168,689,643
Expenses		
Instruction	86,950,224	89,424,038
Instruction related services	18,666,515	20,296,556
Pupil services	14,597,511	15,139,830
Ancillary services	1,217,972	1,335,750
Community services	194,968	263,686
General administration	8,499,659	7,777,587
Plant services	17,996,875	19,432,650
Other outgo	2,284,486	2,328,816
Debt service	4,360,940	4,817,342
Depreciation (unallocated)	4,433,676	4,531,867
Total expenses	159,202,826	165,348,122
Increase (decrease) in Net Position	9,707,235	3,341,521
Net Position, Beginning of Year*	(26,560,523)	(16,853,288)
Net Position, End of Year	$ (16,853,288)	$ (13,511,767)

* As restated due to the implementation of GASB 75. See Note 1.J.1. for more information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had $146.9 million invested in net capital assets, primarily related to land, buildings, and other capital improvements.

Note 6 to the financial statement provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	2017	2018
Land	$ 7,696,823	$ 7,696,823
Improvements of Sites	9,798,974	9,639,741
Buildings	116,738,492	113,077,534
Equipment	496,769	723,999
Construction in Progress	2,404,544	15,713,732
Net capital assets	$ 137,135,602	$ 146,851,829

Debt Administration

Note 7 to the financial statement provides additional information on outstanding debt. Note 11 to the financial statements provides more information on net pension liability. A summary of the District's outstanding debt at year-end is presented below:

	2017	2018
General Obligation Bonds	$ 148,505,000	$ 135,970,000
Unamortized Premium	11,473,727	10,751,999
Capital Leases	205,753	357,886
Net Pension Liability	123,291,880	144,254,796
Net OPEB Liability*	6,275,428	6,147,714
Compensated Absences	865,065	833,158
Net long-term debt	$ 290,616,853	$ 298,315,553

* As restated due to the implementation of GASB 75. See Note 1.J.1. for more information.

GENERAL FUND BUDGET

During the fiscal year, the Board of Education authorized revisions to the original budget to take account of differences in actual expenditures. A summary budgetary comparison schedule for the General Fund is presented on page 55.

Variations between the original and final budget amounts were primarily due to carryover of unspent dollars and new funding for categorical programs. These amounts were unknown at the time the original budget was adopted.

The excess of expenditures over appropriations for employee benefits was primarily due to an adjustment to the STRS on-behalf payment (GASB 68) amount which also had an equal offset adjustment in State revenue and therefore had no effect on fund balance.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

Local Control Funding Formula (LCFF)

Our single largest source of funding is State funds. In 2013-14, the State Budget incorporated the new Local Control Funding Formula (LCFF). The LCFF replaced the Revenue Limit and most State categorical programs. It uses base grants per pupil, with supplemental funding provided for students who are English learners, foster youth, or eligible for the Free and Reduced-Price Meals (FRPM) Program. The base grant will be further adjusted by grade level to provide for smaller class sizes in the early elementary years and for career-technical education in high school. The new formula will be phased in over several years and is expected to be fully implemented by 2020-21.

Local Control and Accountability Plan (LCAP)

The Local Control and Accountability Plan (LCAP) is an important component of the Local Control Funding Formula (LCFF), the State's new way of funding school districts. The LCAP utilizes a standardized template to describe how our district will address State and local priorities for all students and for specific student groups defined in Education Code. The Plan includes goals and associated measures to monitor progress as well as action steps and associated budget amounts for those actions. Everything that is budgeted in the LCAP is in the District's LCFF. Everything in LCFF is not in the LCAP. The LCAP is not a budget document, dollar amounts cannot be meaningfully added together. It is a plan for meeting State and local priorities. The LCAP was developed with input from community and stakeholder groups including parents, teachers, support staff, administrators and bargaining unit groups and is available for viewing on our website.

Projected Student Average Daily Attendance (ADA)

The most important component in calculating revenue is Average Daily Attendance (ADA). ADA drives the revenue formulas. One ADA = 180 days of attendance for one student. Each day that a student is present earns the District approximately $47 in State revenue. Any absence, even an excused absence, reduces the District's revenue by the same amount per student.

Year	P2 ADA	Percent Growth %
2000-01 (actual)	13,335	2.53%
2001-02 (actual)	13,344	.07%
2002-03 (actual)	13,509	1.22%
2003-04 (actual)	13,616	.79%
2004-05 (actual)	13,425	(1.40%)
2005-06 (actual)	12,891	(3.98%)
2006-07 (actual)	12,917	.20%
2007-08 (actual)	12,705	(1.70%)
2008-09 (actual)	12,637	(0.54%)
2009-10 (actual)	12,375	(2.07%)
2010-11 (actual)	12,326	(0.39%)
2011-12 (actual)	12,349	.19%
2012-13 (actual)	12,227	(0.99%)
2013-14 (actual)	12,086	(1.16%)
2014-15 (actual)	12,091	.04%
2015-16 (actual)	12,043	(0.40%)
2016-17 (actual)	12,685	5.33%
2017-18 (actual)	13,248	4.44%
2018-19 (est.)	13,300	0.39%

Note: The above figures reflect total District P2 ADA, with the exception of Adult Ed and ROP. The 2018-19 estimate is based on the adopted budget.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Parcel Tax
Livermore Community approved the Measure G parcel tax in June 2014. This is a seven year extension to the Measure M parcel tax of $138 which expired in June 2015. The income from this tax retains programs that were previously cut to maintain the fiscal health of the District. Beginning 2015-16 and continuing through 2021-22, the Measure G parcel tax is providing:

- Provide advanced courses in math, science and engineering
- Keep school well-maintained
- Attract and retain highly qualified teachers
- Provide elementary school science and technology specialists
- Keep classroom technology and instructional materials up-to-date
- To the extent funds are available, maintain academic programs, including the purchase of instructional equipment, materials and supplies.

The 2018-19 State Budget

Final Budget Package Includes $15.9 Billion in Total Reserves
The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending
The budget assumed total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education
The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level
This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18
From the June 2017 budget plan to the June 2018 budget plan, spending increased $252 million in 2016-17 and $1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of $789 million (on top of a previous $536 million payment). After making the $1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level
For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19
The enacted 2018-19 level is $2.4 billion (3.6%) more than the revised 2017-18 level and $3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.7 billion, $4 billion (70%) is ongoing and $1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities.

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates
In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

The 2018-19 State Budget (continued)

The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only $202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

All of these factors were considered in preparing the Livermore Valley Joint Unified School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the community, investors, creditors, etc. with a general overview of the District's financial condition and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact Susan Kinder, Assistant Superintendent, Business Services, Livermore Valley Joint Unified School District, 685 E. Jack London Blvd., Livermore, CA

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Total Governmental Activities
ASSETS	
Cash	$ 116,650,917
Accounts receivable	4,173,938
Inventories	236,555
Nondepreciable assets	23,410,555
Depreciable capital assets	197,006,057
Less accumulated depreciation	(73,564,783)
Total assets	267,913,239
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	41,317,099
Deferred amounts on refunding	980,087
Total deferred outflows of resources	42,297,186
LIABILITIES	
Accounts payable	16,169,611
Unearned revenue	2,757,564
Long-term liabilities:	
Portion due or payable within one year	13,137,602
Portion due or payable after one year	140,923,155
Net pension liability	144,254,796
Total liabilities	317,242,728
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	6,417,920
Deferred inflows of resources - OPEB	61,544
Total deferred inflows of resources	6,479,464
NET POSITION	
Net investment in capital assets	68,173,220
Restricted for:	
Capital projects	5,510,121
Debt service	15,663,566
Categorical programs	4,779,811
Unrestricted	(107,638,485)
Total net position	$ (13,511,767)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 89,424,038	$ 86,571	$ 10,615,004	$ (78,722,463)
Instruction-related services:				
Supervision of instruction	5,173,544	8,940	1,284,226	(3,880,378)
Instructional library, media and technology	5,492,893	128	1,496,588	(3,996,177)
School site administration	9,630,119	119,342	484,155	(9,026,622)
Pupil support services:				
Home-to-school transportation	1,894,157	8,525	473,272	(1,412,360)
Food services	3,556,314	1,636,640	1,788,353	(131,321)
All other pupil services	9,689,359	24,834	1,913,224	(7,751,301)
General administration services:				
Data processing services	594,270	-	-	(594,270)
Other general administration	7,183,317	81,879	288,783	(6,812,655)
Plant services	19,432,650	60	736,621	(18,695,969)
Ancillary services	1,335,750	26	247,266	(1,088,458)
Community services	263,686	-	86,816	(176,870)
Interest on long-term debt	4,817,342	-	-	(4,817,342)
Other outgo	2,328,816	8,168	4,936,042	2,615,394
Depreciation (unallocated)	4,531,867	-	-	(4,531,867)
Total Governmental Activities	$ 165,348,122	$ 1,975,113	$ 24,350,350	(139,022,659)

General Revenues:	
Property taxes	77,236,451
Federal and state aid not restricted to specific purpose	58,865,570
Interest and investment earnings	1,090,076
Interagency revenues	534,915
Miscellaneous	4,637,168
Total general revenues	142,364,180
Change in net position	3,341,521
Net position - July 1, 2017, as originally stated	(9,856,078)
Restatement - change in accounting principle	(6,997,210)
Net position - July 1, 2017, as restated	(16,853,288)
Net position - June 30, 2018	$ (13,511,767)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 22,744,191	$ 71,902,924	$ 15,625,609	$ 6,166,631	$ 116,439,355
Accounts receivable	3,546,597	207,570	37,957	381,278	4,173,402
Due from other funds	165,213	25,151	-	171	190,535
Inventories	192,373	-	-	44,182	236,555
Total Assets	$ 26,648,374	$ 72,135,645	$ 15,663,566	$ 6,592,262	$ 121,039,847
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 9,876,694	$ 3,734,369	$ -	$ 255,350	$ 13,866,413
Due to other funds	25,322	-	-	165,213	190,535
Unearned revenue	2,649,083	-	-	108,481	2,757,564
Total Liabilities	12,551,099	3,734,369	-	529,044	16,814,512
Fund Balances					
Nonspendable	242,373	-	-	44,182	286,555
Restricted	4,240,145	68,401,276	15,663,566	6,005,605	94,310,592
Assigned	3,300,195	-	-	13,431	3,313,626
Unassigned	6,314,562	-	-	-	6,314,562
Total Fund Balances	14,097,275	68,401,276	15,663,566	6,063,218	104,225,335
Total Liabilities and Fund Balances	$ 26,648,374	$ 72,135,645	$ 15,663,566	$ 6,592,262	$ 121,039,847

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds		$ 104,225,335
Capital assets used in *governmental activities* are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $220,416,612, and the accumulated depreciation is $73,564,783.		146,851,829
In government funds, interest on long term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(2,252,471)
In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:		(6,147,714)
In governmental funds, deferred amounts on debt refundings are recognized as a deferred outflow of resources and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		980,087
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.		(144,254,796)
In governmental funds, deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported. Deferred inflows relating to OPEB for the period were:		
Deferred inflow of resources		(61,544)
In governmental 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 relating to pensions are reported. Deferred inflows and outflows relating to pensions for the period were:		
Deferred outflows of resources	41,317,099	
Deferred inflows of resources	(6,417,920)	34,899,179
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds payable	135,970,000	
Unamortized premium	10,751,999	
Capital leases payable	357,886	
Compensated absences payable	833,158	(147,913,043)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		161,371
Total net position - governmental activities		$ (13,511,767)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 111,209,515	$ -	$ -	$ -	$ 111,209,515
Federal sources	4,969,085	-	-	1,845,382	6,814,467
Other state sources	14,154,891	-	105,770	1,492,201	15,752,862
Other local sources	16,640,196	1,374,540	16,047,719	4,820,483	38,882,938
Total Revenues	146,973,687	1,374,540	16,153,489	8,158,066	172,659,782
EXPENDITURES					
Current:					
Instruction	91,080,492	-	-	235,969	91,316,461
Instruction-related services:					
Supervision of instruction	5,183,872	-	-	12,884	5,196,756
Instructional library, media and technology	5,280,510	-	-	-	5,280,510
School site administration	8,917,765	-	-	263,235	9,181,000
Pupil support services:					
Home-to-school transportation	1,890,685	-	-	-	1,890,685
Food services	-	-	-	3,401,745	3,401,745
All other pupil services	9,746,876	-	-	-	9,746,876
Ancillary services	1,334,660	-	-	-	1,334,660
Community services	247,769	-	-	-	247,769
General administration services:					
Data processing services	594,270	-	-	-	594,270
Other general administration	6,990,399	-	-	-	6,990,399
Plant services	13,891,202	1,165,942	-	-	15,057,144
Transfers of indirect costs	(197,758)	-	-	197,758	-
Capital outlay	-	15,487,452	-	2,131,401	17,618,853
Intergovernmental transfers	1,459,344	-	-	869,472	2,328,816
Debt Service:					
Principal	-	142,048	12,535,000	-	12,677,048
Interest	-	24,972	5,572,035	-	5,597,007
Total Expenditures	146,420,086	16,820,414	18,107,035	7,112,464	188,459,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	553,601	(15,445,874)	(1,953,546)	1,045,602	(15,800,217)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	1,412,342	-	-	-	1,412,342
Interfund transfers out	-	(1,401,323)	-	(11,019)	(1,412,342)
Proceeds from capital leases	-	294,181	-	-	294,181
Total Other Financing Sources and Uses	1,412,342	(1,107,142)	-	(11,019)	294,181
Net Change in Fund Balances	1,965,943	(16,553,016)	(1,953,546)	1,034,583	(15,506,036)
Fund Balances, July 1, 2017	12,131,332	84,954,292	17,617,112	5,028,635	119,731,371
Fund Balances, June 30, 2018	$ 14,097,275	$ 68,401,276	$ 15,663,566	$ 6,063,218	$ 104,225,335

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds			$ (15,506,036)
Amounts reported for governmental activities in the statement of activities are different because:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	14,248,094	
	Depreciation expense	(4,531,867)	
	Net:		9,716,227
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			12,677,048
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(4,160,190)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt:			(294,181)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, is:			136,643
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:			721,728
In governmental funds, other postemployment benefits (OPEB) expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer contributions was:			66,170
In the statement of activities, certain operating expenses such as compensated absences, are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave used exceeded the amounts earned by:			31,907
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Amortization of the deferred amounts in the current year was:			(105,624)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net decrease in internal service funds was:			57,829
Change in net position of governmental activities			$ 3,341,521

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities
	Internal Service Fund
ASSETS	
Cash	$ 211,562
Accounts receivable	536
Total Assets	212,098
LIABILITIES	
Accounts payable	727
Estimated liability for open claims	50,000
Total liabilities	50,727
NET POSITION	
Restricted	$ 161,371

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 700,000
Other local revenues	2,500
Total operating revenues	702,500
OPERATING EXPENSES	
Books and supplies	4,761
Services and other operating expenditures	641,908
Total operating expenses	646,669
Operating Income (Loss)	55,831
NON-OPERATING REVENUES	
Interest income	1,998
Change in net position	57,829
Net position, July 1, 2017	103,542
Net position, June 30, 2018	$ 161,371

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from self-insurance premiums	$ 700,000
Cash received from other local sources	2,500
Cash paid for operating expenses	(667,500)
Net cash provided (used) by operating activities	35,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,742
Net increase (decrease) in cash	36,742
Cash, July 1, 2017	174,820
Cash, June 30, 2018	$ 211,562
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ 55,831
Changes in Operating Assets and Liabilities	
Decrease in accounts payable and estimated liability for open claims	(20,831)
Net Cash Provided (Used) by Operating Activities	$ 35,000

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds		Trust Fund		
	Student Body Funds		Scholarship Fund		Total
ASSETS					
Cash	$	1,022,285	$	104,891	$ 1,127,176
Accounts receivable		-		265	265
Total Assets		1,022,285		105,156	1,127,441
LIABILITIES					
Due to student groups	$	1,022,285		-	$ 1,022,285
Total Liabilities	$	1,022,285		-	1,022,285
NET POSITION					
Restricted for student scholarships			$	105,156	$ 105,156

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Trust Fund Scholarship Fund
ADDITIONS	
Other local sources	$ 11,662
Total Additions	11,662
DEDUCTIONS	
Classified salaries	1,000
Employee benefits	107
Books and supplies	65
Other services & operating expenses	6,000
Total Deductions	7,172
Change in net position	4,490
Net position - July 1, 2017	100,666
Net position - June 30, 2018	$ 105,156

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Livermore Valley Joint 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. The following is a summary of the more significant policies:

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)
Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Deferred Maintenance Fund, a Special Reserve Fund for Other Than Capital Outlay Projects, and a Special Reserve Fund for Postemployment Benefits. The Deferred Maintenance Fund does not currently meet the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. In addition, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and the sale of property.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

Child Development Fund: This fund is used to account for revenues received and expenditures made to the child development program subcontracted by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County Schools Facilities Fund: This fund is used to account for state apportionments provided under the SB50 School Facilities Program for construction and modernization of school facilities.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Self-Insurance Fund: This fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a property and liability program that is accounted for in a self-insurance service fund.

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. This fund is used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates six Associated Student Body funds.

Scholarship Fund*:* This fund is used to account for the Leo R. Croce Elementary School scholarship established in 1991 and the Hindu scholarship.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District established capitalization thresholds for land at $1; and land improvements, buildings, and building improvements at $100,000 per project; equipment purchased with federal funds at $5,000 and $11,000 if purchased with state or local funds.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Unearned Revenue

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid and accumulated annual balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Livermore Valley Joint Unified School District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

8. Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position (continued)

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 reported period. Actual results could differ from those estimates.

I. Self-Insurance Internal Service Fund

The District is self-insured for property damage and for general liability up to $50,000 per claim. The General Fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The District also participates in a joint powers authority, which provides excess worker's compensation coverage for the District. On the government-wide financial statements, the Internal Service Fund activity is eliminated to avoid doubling of revenues and expenditures

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

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

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

2. **Statement No. 81, *Irrevocable Split-Interest Agreements (Issued March 2016)*.** The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements (continued)

- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

NOTE 2 – CASH

Cash at June 30, 2018, is reported at fair value and consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:				
Cash in County Treasury	$ 116,378,799	$ 186,562	$ 116,565,361	$ 104,891
Deposits:				
Cash on hand and in banks	10,556	25,000	35,556	1,022,285
Cash in revolving fund	50,000	-	50,000	-
Total deposits	60,556	25,000	85,556	1,022,285
Total cash	$ 116,439,355	$ 211,562	$ 116,650,917	$ 1,127,176

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 2 – CASH (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2018, $899,570 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

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

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

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Fiduciary Funds
Federal Government:							
Categorical aid programs	$ 1,032,876	$ -	$ -	$ 282,837	$ 1,315,713	$ -	$ -
State Government:							
Lottery	560,530	-	-	-	560,530	-	-
Categorical aid programs	1,089,165	-	-	16,005	1,105,170	-	-
Local:							
Interest	35,293	207,570	37,957	13,209	294,029	536	265
Other local	828,733	-	-	69,227	897,960	-	-
Totals	$ 3,546,597	$ 207,570	$ 37,957	$ 381,278	$ 4,173,402	$ 536	$ 265

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2018, consisted of the following:

Adult Education Fund transfer to General Fund for retiree benefits	$ 687
Cafeteria Fund transfer to General Fund for retiree benefits	9,655
Building Fund transfer to General Fund for retiree benefits	1,323
Building Fund transfer to General Fund for textbook adoption	1,400,000
Capital Facilities Fund transfer to General Fund for retiree benefits	677
Total	$ 1,412,342

B. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

General Fund due to Cafeteria Fund for expenditure reimbursement	$ 171
General Fund due to Building Fund for expenditure reimbursement	25,151
Adult Education Fund due to General Fund for indirect costs and expenditure reimbursements	13,769
Cafeteria Fund due to General Fund for indirect costs and expenditure reimbursements	151,444
Total	$ 190,535

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 50,000	$ -	$ -	$ -	$ 50,000
Stores inventories	192,373	-	-	44,182	236,555
Total Nonspendable	242,373	-	-	44,182	286,555
Restricted:					
Categorical programs	4,240,145	-	-	416,689	4,656,834
Food service	-	-	-	78,795	78,795
Capital projects	-	68,401,276	-	5,510,121	73,911,397
Debt service	-	-	15,663,566	-	15,663,566
Total Restricted	4,240,145	68,401,276	15,663,566	6,005,605	94,310,592
Assigned:					
Child development program	-	-	-	13,431	13,431
Deferred maintenance program	207,176	-	-	-	207,176
Postemployment benefits	168,812	-	-	-	168,812
Other assignments	2,924,207	-	-	-	2,924,207
Total Assigned	3,300,195	-	-	13,431	3,313,626
Unassigned:					
Reserve for economic uncertainties	4,593,398	-	-	-	4,593,398
Remaining unassigned balances	1,721,164	-	-	-	1,721,164
Total Unassigned	6,314,562	-	-	-	6,314,562
Total	$ 14,097,275	$ 68,401,276	$ 15,663,566	$ 6,063,218	$ 104,225,335

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	$ 7,696,823	$ -	$ -	$ 7,696,823
Construction in progress	2,404,544	13,784,323	475,135	15,713,732
Total capital assets not being depreciated	10,101,367	13,784,323	475,135	23,410,555
Capital assets being depreciated:				
Improvement of sites	19,847,251	602,285	-	20,449,536
Buildings	173,607,401	-	-	173,607,401
Equipment	2,824,203	336,621	211,704	2,949,120
Total capital assets being depreciated	196,278,855	938,906	211,704	197,006,057
Accumulated depreciation for:				
Improvement of sites	(10,048,277)	(761,518)	-	(10,809,795)
Buildings	(56,868,909)	(3,660,958)	-	(60,529,867)
Equipment	(2,327,434)	(109,391)	(211,704)	(2,225,121)
Total accumulated depreciation	(69,244,620)	(4,531,867)	(211,704)	(73,564,783)
Total capital assets being depreciated, net	127,034,235	(3,592,961)	-	123,441,274
Governmental activity capital assets, net	$ 137,135,602	$ 10,191,362	$ 475,135	$ 146,851,829

NOTE 7 – GENERAL LONG-TERM DEBT

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

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 148,505,000	$ -	$ 12,535,000	$ 135,970,000	$ 12,255,000
Unamortized issuance premium	11,473,727	-	721,728	10,751,999	721,728
Subtotal General Obligation Bonds	159,978,727	-	13,256,728	146,721,999	12,976,728
Capital Leases	205,753	294,181	142,048	357,886	160,874
Net OPEB Liability	6,275,428	484,885	612,599	6,147,714	-
Compensated Absences	865,065	-	31,907	833,158	-
Totals	$ 167,324,973	$ 779,066	$ 14,043,282	$ 154,060,757	$ 13,137,602

Note: Beginning balance of OPEB liability has been restated due to the implementation of GASB Statement No. 75

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Capital leases are paid for by the General and Building Funds. Accumulated vacation will be paid for by the fund for which the employee worked.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

1999 Election
On March 2, 1999, a special election was held at which more than two-thirds of the voters in the District approved Measure “L”, which authorized the issuance and sale of $150 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds.

The bonds were issued for the purpose of financing the improvement of health and safety conditions of the District’s facilities, including the renovation of roofing, heating, plumbing and air-conditioning systems, the acquisition and construction of a new library and community center, and the acquisition, renovation, and construction of other necessary facilities. The District has entered into joint-use agreements with the City of Livermore and Livermore Area Park and Recreation District for the operation of the library and community center, respectively.

2010 General Obligation Refunding Bonds
On May 4, 2010, the District issued $33,840,000 of 2010 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 2.0 to 5.0 percent with annual maturities from August 2011 through August 2026. The net proceeds of $34,470,935 (after underwriter’s discount of $301,176, issuance costs of $122,608, plus premium of $1,054,719) were used to advance refund $17,750,000 of the District’s outstanding Election of 1999, Series 2000 General Obligation Bonds and $15,215,000 of the Election of 1999, Series 2001 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds. Deferred amounts on refunding of $862,167 remain to be amortized.

2014 General Obligation Refunding Bonds
On November 18, 2014, the District issued $52,810,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0%-5.0% with annual maturities from August 1, 2015 through August 1, 2029. The net proceeds of $60,759,546 (after premiums of $8,277,577 and issuance costs of $328,031) were used to prepay all of the District’s outstanding Election of 1999, Series 2002, Series 2005, and Series 2006 General Obligation Bonds. Deferred amounts on refunding of $117,920 remain to be amortized.

2016 Election
On June 7, 2016, the voters of the Livermore Valley Joint Unified School District approved by more than 55% Measure “J”, authorizing the issuance and sale of $245.0 million of general obligation bonds. On October 13, 2016, the District issued Series 2016 of the Election of 2016 General Obligation bonds in the amount of $82.0 million. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The outstanding general obligation bonds issued by the District as of June 30, 2018, are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
Refunding	5/4/2010	8/1/2026	2.0%-5.0%	33,840,000	$ 19,985,000	$ -	$ 1,795,000	18,190,000
Refunding	11/18/2014	8/1/2029	2.0%-5.0%	52,810,000	46,520,000	-	2,740,000	43,780,000
2016 A	10/13/2016	8/1/2046	2.0%-4.0%	82,000,000	82,000,000	-	8,000,000	74,000,000
					$ 148,505,000	$ -	$ 12,535,000	$ 135,970,000

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

Fiscal Year	Principal	Interest	Total
2018-2019	$ 12,255,000	$ 5,188,769	$ 17,443,769
2019-2020	4,965,000	4,865,856	9,830,856
2020-2021	5,225,000	4,644,931	9,869,931
2021-2022	5,515,000	4,391,881	9,906,881
2022-2023	5,855,000	4,107,631	9,962,631
2023-2028	29,530,000	16,414,472	45,944,472
2028-2033	15,990,000	11,081,888	27,071,888
2033-2038	13,720,000	8,696,650	22,416,650
2038-2043	20,605,000	5,317,975	25,922,975
2043-2047	22,310,000	1,389,600	23,699,600
Totals	$ 135,970,000	$ 66,099,653	$ 202,069,653

B. Capital Leases

The District leases equipment valued at $597,592 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year	Lease Payment
2018-19	$ 172,335
2019-20	64,220
2020-21	64,220
2021-22	64,220
2022-23	16,055
Less amount representing interest	(23,164)
Present value of minimum lease payments	$ 357,886

The District will receive no sublease rental revenues to pay any contingent rentals for the equipment.

NOTE 8 – JOINT VENTURES

Livermore Valley Joint Unified School District participates in a joint venture under a joint powers agreement (JPA) with the Alameda County Schools Insurance Group (ACSIG). The District also participated in Northern California ReLiEF for excess property and liability insurance. The District also participated in the Protected Insurance Program for Schools Authority (PIPS) to pool risk associated with workers' compensation. The relationship between Livermore Valley Joint Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information as of June 30, 2017, is as follows:

	Northern California ReLiEF	ACSIG	PIPS
Assets	$ 77,792,147	$ 48,587,667	$ 129,260,118
Deferred Outflows	-	546,377	-
Liabilities	65,492,460	27,296,818	111,815,654
Deferred Inflows	-	65,612	-
Net Position	$ 12,299,687	$ 21,771,614	$ 17,444,464
Revenues	$ 53,565,432	$ 164,546,182	$ 300,784,657
Expenses	57,636,800	158,538,548	296,996,362
Operating Income (Loss)	(4,071,368)	6,007,634	3,788,295
Non-Operating Income	324,976	159,116	305,195
Change in Net Position	$ (3,746,392)	$ 6,166,750	$ 4,093,490

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

B. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2018.

C. Construction Commitments
As of June 30, 2018, the District has commitments with respect to unfinished capital projects of $11,243,410 to be paid from local funds.

NOTE 10 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation
For fiscal year 2017-18, the District participated in the ACSIG JPA for workers compensation.

Employee Medical Benefits
The District has contracted with California Valued Trust to provide employee health and welfare benefits.

Claims Liability
The District records an estimated liability for property claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities
The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

	Claims Liability
Liability Balance, July 1, 2016	$ 69,690
Claims and changes in estimates	691,799
Claims payments	(689,931)
Liability Balance, July 1, 2017	71,558
Claims and changes in estimates	625,111
Claims payments	(646,669)
Liability Balance, July 1, 2018	$ 50,000
Assets available to pay claims at June 30, 2018	$ 212,098

NOTE 11 – PENSION PLANS

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 105,682,072	$ 29,463,418	$ 5,177,609	$ 11,597,588
CalPERS	38,572,724	11,853,681	1,240,311	6,673,759
Total	$ 144,254,796	$ 41,317,099	$ 6,417,920	$ 18,271,347

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

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

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

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

NOTE 11 – PENSION PLANS (continued)

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $9,493,757.

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

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	105,682,072
State's proportionate share of the net pension liability associated with the District		24,680,845
Total	$	130,362,917

NOTE 11 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.114276%	0.113000%	0.001276%

For the year ended June 30, 2018, the District recognized pension expense of $11,579,588. In addition, the District recognized pension expense and revenue of $1,114,127 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,493,757	$ -
Net change in proportionate share of net pension liability	-	519,735
Difference between projected and actual earnings on pension plan investments	-	2,814,608
Changes of assumptions	19,578,838	-
Differences between expected and actual experience in the measurement of the total pension liability	390,823	1,843,265
Total	$ 29,463,418	$ 5,177,609

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 11 – PENSION PLANS (continued)

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

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

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2019	$	501,938
2020		4,612,431
2021		3,097,137
2022		340,808
2023		3,054,855
Thereafter		3,184,883
Total	$	14,792,052

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 155,174,833
Current discount rate (7.10%)	105,682,072
1% increase (8.10%)	65,515,342

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $5,084,265 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

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

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

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions (continued)
The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $3,503,274.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $38,572,724. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.161577%	0.161500%	0.000077%

For the year ended June 30, 2018, the District recognized pension expense of $6,673,759. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,503,274	$ -
Net change in proportionate share of net pension liability	-	786,165
Difference between projected and actual earnings on pension plan investments	1,334,352	-
Changes of assumptions	5,634,153	454,146
Differences between expected and actual experience in the measurement of the total pension liability	1,381,902	-
Total	$ 11,853,681	$ 1,240,311

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,823,122
2020	3,492,838
2021	2,521,659
2022	(727,523)
2023	-
Thereafter	-
Total	$ 7,110,096

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single 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 adjusted to account for assumed administration expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 56,752,838
Current discount rate (7.15%)	38,572,724
1% increase (8.15%)	23,490,797

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2018, the District reported payables of $1,584,206 and $655,434 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description
The District's defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided
The postretirement health plans and the District's obligation vary by employee group as described below.

The District offers the same healthcare plans for its under-age 65 retirees as for its active employees. Upon reaching age 65, the retiree ceases to be eligible to receive District-paid benefits. Benefits vary based on age, service, date of retirement, and classification, as follows:

Certificated (LEA) – Employees may retire with District-paid benefits after attaining age 55 and completing at least 10 years of service (or the full-time equivalent) with the District and be receiving STRS benefits. For those eligible retirees, the health plans are paid for by the District for seven years or until age 65 if earlier. If an eligible retiree dies during the seven-year period, eligible dependents continue to receive District-paid benefits for the remainder of the seven years.

Classified/SEIU/SUPV/LMA/Other – Employees may retire with District-paid benefits after attaining age 55 and completing at least 15 years of continuous service (7 years of leadership service for LMA) with the District. For those eligible retirees, the health plans are paid for by the District for seven years or until age 65 if earlier. If an eligible retiree dies during the seven-year period, eligible dependents continue to receive District-paid benefits for the remainder of the seven years.

Adjustments to Dollar Limits – Annual dollar limits described above are not automatically indexed for future years.

Changes that became effective on or after July 1, 2005:

- LEA Retirees – Retiring between July 1, 2006 and June 30, 2010 **-** District-paid coverage will be for retiree only (spousal coverage will be at retiree's expense) for the remainder of their benefit periods. Benefits are subject to a cap of $10,900 per year (adjusted for banked contributions, if any).
- Retiring on or after July 1, 2010 **-** District-paid coverage will be for retiree only, and subject to a cap of $7,500 per year (adjusted for banked contributions, if any) for the remainder of their benefit periods.
- Retirees other than LEA – Retiring on or after July 1, 2005, District-paid coverage will be for retiree only (spousal coverage will be at retiree's expense) up to $7,000 per year for all coverages ($5,900 for SEIU).

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms
At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	82
Active employees	1,054
Total	1,136

Medicare Premium Payment (MPP) Program
The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Total OPEB Liability

The District's total OPEB liability of 5,382,530 for the District Plan was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability of $765,184 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions and other inputs
The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	July 1, 2017	June 30, 2016
Experience Study	July 1, 2015 through June 30, 2017	July 1, 2010, through June 30, 2015
Inflation	3.62 percent	N/A
Salary increases	3.0 percent	N/A
Healthcare cost trend rates	6.0 percent decreasing to 5.0 percent	3.58 percent
Retirees' share of benefit-related costs	Retirees who continue with the District medical plan are offered a subsidy based on specified employment factors	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability (continued)

District Plan
The discount rate of 3.62 percent reflects the following: the long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return; a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions above are not met.

Mortality rates are based on the 2009 CalSTRS for Certificated members and the 2014 CalPERS Active Mortality for Miscellaneous Employees for Miscellaneous members.

MPP Program
The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	$ 5,424,191
Changes for the year:	
Service cost	244,523
Interest	163,927
Changes in assumptions or other inputs	(73,379)
Benefit payments	(376,732)
Net changes	(41,661)
Balance at June 30, 2018	$ 5,382,530

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
District Plan	$ 5,532,542	$ 5,382,530	$ 5,239,335

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	$ 847,112	$ 765,184	$ 685,491

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 5.0%)	1% Increase (7.0% decreasing to 6.0%)
District Plan	$ 5,382,530	$ 5,382,530	$ 5,382,530

	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	$ 691,461	$ 765,184	$ 838,171

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of $66,170. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions or other inputs	-	61,544
Total	$ -	$ 61,544

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ (11,835)
2020	(11,835)
2021	(11,835)
2022	(11,835)
2023	(11,835)
Thereafter	(2,369)

E. Payable to the OPEB Plan

At June 30, 2018, the District reported no payable for the outstanding OPEB contributions required for the year ended June 30, 2018.

Required Supplementary Information

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LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF sources	$ 109,953,902	$ 111,236,626	$ 111,209,515	$ (27,111)
Federal sources	4,566,774	5,598,887	4,969,085	(629,802)
Other state sources	7,947,832	13,833,990	14,154,891	320,901
Other local sources	10,387,364	15,332,229	16,635,283	1,303,054
Total Revenues	132,855,872	146,001,732	146,968,774	967,042
Expenditures				
Current:				
Certificated salaries	62,209,264	66,143,486	65,782,152	361,334
Classified salaries	21,421,509	22,825,878	22,794,563	31,315
Employee benefits	31,959,076	32,678,160	34,157,798	(1,479,638)
Books and supplies	5,660,706	10,618,117	5,168,801	5,449,316
Services and other operating expenditures	13,804,532	19,589,579	17,035,030	2,554,549
Transfers of indirect costs	(90,285)	(94,229)	(197,758)	103,529
Capital outlay	48,379	57,887	22,637	35,250
Intergovernmental	1,552,602	1,611,946	1,459,344	152,602
Total Expenditures	136,565,783	153,430,824	146,222,567	7,208,257
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,709,911)	(7,429,092)	746,207	8,175,299
Other Financing Sources and Uses				
Interfund transfers in	1,411,306	1,411,306	1,412,342	1,036
Total Other Financing Sources and Uses	1,411,306	1,411,306	1,412,342	1,036
Net Change in Fund Balance	(2,298,605)	(6,017,786)	2,158,549	8,176,335
Fund Balances, July 1, 2017	11,561,177	11,561,177	11,561,177	-
Fund Balances, June 30, 2018	$ 9,262,572	$ 5,543,391	$ 13,719,726	$ 8,176,335

* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.1143%	0.1130%	0.1170%	0.1150%
District's proportionate share of the net pension liability	$ 105,682,072	$ 91,395,530	$ 78,769,080	$ 67,202,550
State's proportionate share of the net pension liability associated with the District	24,680,845	52,037,505	41,660,048	40,580,209
Totals	$ 130,362,917	$ 143,433,035	$ 120,429,128	$ 107,782,759
District's covered-employee payroll	$ 60,902,846	$ 56,859,487	$ 53,538,423	$ 51,482,036
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.53%	160.74%	147.13%	130.54%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.1616%	0.1615%	0.1642%	0.1682%
District's proportionate share of the net pension liability	$ 38,572,724	$ 31,896,350	$ 24,203,242	$ 19,094,795
District's covered-employee payroll	$ 21,034,893	$ 20,420,486	$ 18,212,837	$ 17,386,672
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.37%	156.20%	132.89%	109.82%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan’s annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 9,493,757	$ 7,661,578	$ 6,101,023	$ 4,754,212
Contributions in relation to the contractually required contribution	9,493,757	7,661,578	6,101,023	4,754,212
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 65,791,801	$ 60,902,846	$ 56,859,487	$ 53,538,423
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 3,503,274	$ 2,921,326	$ 2,419,215	$ 2,143,833
Contributions in relation to the contractually required contribution	3,503,274	2,921,326	2,419,215	2,143,833
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 22,556,654	$ 21,034,893	$ 20,420,486	$ 18,212,837
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018
Total OPEB liability	
Service cost	244,523
Interest	163,927
Changes of assumptions or other inputs	(73,379)
Benefit payments	(376,732)
Net change in total OPEB liability	(41,661)
Total OPEB liability - beginning	5,424,191
Total OPEB liability - ending	$ 5,382,530
Covered-employee payroll	$ 88,138,734
Total OPEB liability as a percentage of covered-employee payroll	6.11%

Notes to Schedule:
No changes to report.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2018

(Dollars in Thousands, except for District's proportionate share)

	2018
Total OPEB liability	
Interest	$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	$ 420,749
Plan fiduciary net position	
Contributions - employer	$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	$ 41
Net OPEB liability	$ 420,708
District's proportionate share of net OPEB liability	$ 765,184
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

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

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Category	Excess Expenditures
Employee benefits	$ 1,479,638

This was due to an underestimated STRS on-behalf contribution, which also had an equal revenue offset.

Supplementary Information

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Livermore Valley Joint Unified School District was formed on July 1, 1966 and is comprised of an area of approximately 240 square miles located in Alameda and Contra Costa Counties. There were no changes in the boundaries of the District during the current year. The District operates nine elementary, three middle, two K-8 and three high schools, one of which is a continuation high school. The District also maintains an Adult Education Program and an Independent Study School.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF EDUCATION

Member	Office	Term Expires
Craig Bueno	President	November, 2018
Chuck Rogge	Clerk	November, 2020
Kate Runyon	Member	November, 2018
Chris Wenzel	Member	November, 2020
Anne White	Member	November, 2018

DISTRICT ADMINISTRATORS

Kelly Bowers,
Superintendent

Chris Van Schaack,
Deputy Superintendent, Administrative Services

Mike Biondi,
Assistant Superintendent, Educational Services

Susan Kinder,
Assistant Superintendent, Business Services

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report Certificate No. (C6139EF7)	**Annual Report** Certificate No. (12ABA256)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	4,030.24	4,038.40
Fourth through Sixth	3,020.46	3,023.96
Seventh through Eighth	1,926.16	1,925.53
Ninth through Twelfth	4,246.79	4,230.19
Total Regular ADA	13,223.65	13,218.08
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	0.67	0.81
Fourth through Sixth	8.18	8.44
Seventh through Eighth	0.61	0.98
Ninth through Twelfth	13.93	14.60
Total Special Education, Nonpublic, Nonsectarian Schools	23.39	24.83
Total ADA	13,247.04	13,242.91

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

Grade Level	Required	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	43,180	180	Complied
Grade 1	50,400	52,900	180	Complied
Grade 2	50,400	52,900	180	Complied
Grade 3	50,400	52,900	180	Complied
Grade 4	54,000	54,160	180	Complied
Grade 5	54,000	54,160	180	Complied
Grade 6	54,000	55,835	180	Complied
Grade 7	54,000	55,835	180	Complied
Grade 8	54,000	55,835	180	Complied
Grade 9	64,800	65,290	180	Complied
Grade 10	64,800	65,290	180	Complied
Grade 11	64,800	65,290	180	Complied
Grade 12	64,800	65,290	180	Complied

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 [3]	2018 [4]	2017	2016
Revenues and other financing sources	$ 145,951,226	$ 148,381,116	$ 135,920,409	$ 130,892,800
Expenditures (total outgo)	146,879,544	146,222,567	135,378,466	125,653,142
Change in fund balance (deficit)	(928,318)	2,158,549	541,943	5,239,658
Ending fund balance	$ 12,791,408	$ 13,719,726	$ 11,561,177	$ 11,019,234
Available reserves [1]	$ 5,419,935	$ 6,314,562	$ 7,742,760	$ 4,543,281
Available reserves as a percentage of total outgo	3.7%	4.3%	5.7%	3.6%
Total long-term debt	$ 285,177,951	$ 298,315,553	$ 290,616,853	$ 183,041,155
Average daily attendance at P-2 [2]	13,300	13,247	12,685	12,043

The General Fund balance has increased by $2.7 million over the past two years. The fiscal year 2018-19 adopted budget projects an decrease of $0.9 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, but does anticipate incurring an operating deficit during the 2018-19 fiscal year. Long-term debt has increased by $115.3 million over the past two years.

Average daily attendance has increased by 1204 over the past two years. ADA is expected to increase by 53 during fiscal year 2018-19.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Excludes Adult Education ADA.

[3] Revised Budget September 2018.

[4] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 132,228	
National School Lunch Program	10.555	13523	1,308,047	
USDA Donated Foods	10.555	N/A	225,694	
Summer Food Service Program Operations	10.559	13004	15,391	
Subtotal Child Nutrition Cluster				$ 1,681,360
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13666	58,259	
CACFP in Lieu of Commodities	10.558	13389	4,194	
Subtotal Child and Adult Care Food Program Cluster				62,453
Total U.S. Department of Agriculture				1,743,813
U.S. Department of Education:				
Indian Education	84.060	10011		92,220
Passed through California Dept. of Education (CDE):				
Adult Basic Education Cluster (ABE):				
Adult Basic Education & ESL	84.002A	14508	43,527	
Adult Secondary Education	84.002	13978	7,480	
English Literacy & Civics Education	84.002A	14109	50,562	
Subtotal Adult Basic Education Cluster				101,569
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		828,713
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14838		280,984
Title II, Part A, Supporting Effective Instruction	84.367	14341		271,437
English Language Acquisition Grants Cluster:				
Title III, Limited English Proficiency	84.365	14346	205,098	
Title III, Immigrant Education Program	84.365	15146	15,069	
Subtotal English Language Acquisition Grants Cluster				220,167
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14894		56,739
Individuals with Disabilities Education Act (IDEA):				
Passed through the Tri-Valley SELPA				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	2,475,447	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	67,481	
Preschool Local Entitlement, Part B	84.027A	13682	247,857	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	285,490	
Preschool Staff Development	84.173A	13431	770	
Subtotal Special Education Cluster (IDEA)				3,077,045
Total U.S. Department of Education				4,928,874
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medi-Cal Billing Option	93.778	10013		158,451
Total U.S. Department of Health & Human Services				158,451
Total Expenditures of Federal Awards				$ 6,831,138

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 6,814,467
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	16,671
Total Schedule of Expenditures of Federal Awards		$ 6,831,138

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Other Independent Auditors' Reports

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

Board of Education
Livermore Valley Joint Unified School District
Livermore, 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 Livermore Valley Joint Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Livermore Valley Joint Unified School District's basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Livermore Valley Joint 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 the Livermore Valley Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livermore Valley Joint 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Livermore Valley Joint 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*.

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

Nigro + Nigro, PC

Murrieta, California
November 27, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Livermore Valley Joint Unified School District
Livermore, California

Report on State Compliance
We have audited Livermore Valley Joint Unified School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Livermore Valley Joint Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Livermore Valley Joint Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Livermore Valley Joint 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 state program. However, our audit does not provide a legal determination of Livermore Valley Joint Unified School District's compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for continuation education because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Livermore Valley Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Nigro + Nigro, PC

Murrieta, California
November 27, 2018

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

Board of Education
Livermore Valley Joint Unified School District
Livermore, California

Report on Compliance for Each Major Federal Program
We have audited Livermore Valley Joint 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 Livermore Valley Joint Unified School District's major federal programs for the year ended June 30, 2018. Livermore Valley Joint Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Livermore Valley Joint 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 Livermore Valley Joint 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 Livermore Valley Joint Unified School District's compliance.

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
OAKLAND OFFICE 333 Hegenberger Road, Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

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Report on Internal Control Over Compliance

Management of Livermore Valley Joint 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 Livermore Valley Joint 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 the District's internal control over compliance.

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

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

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

Nigro+Nigro, PC

Murrieta, California
November 27, 2018

Findings and Questioned Costs

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LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Summary of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	National School Lunch Program (NSLP)

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

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Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2017-001: CALPADS Unduplicated Pupil Count	Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals: • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. During our testing of the English Learner (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted that one student that was reported as having the English learner designation for the 2016-17 fiscal year was not eligible based on the District reclassification policy.	40000	We recommend that the District review the communication between the curriculum and IT departments in order to determine what improvements can be made to the process so that future errors can be avoided.	Implemented.