

CENTER JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

CENTER JOINT UNIFIED SCHOOL DISTRICT

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

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CENTER JOINT UNIFIED SCHOOL DISTRICT

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

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 13 and the General Fund Budgetary Comparison Schedule, Charter Schools Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 46 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of Center Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center Joint Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2017

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The discussion and analysis of Center Joint Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

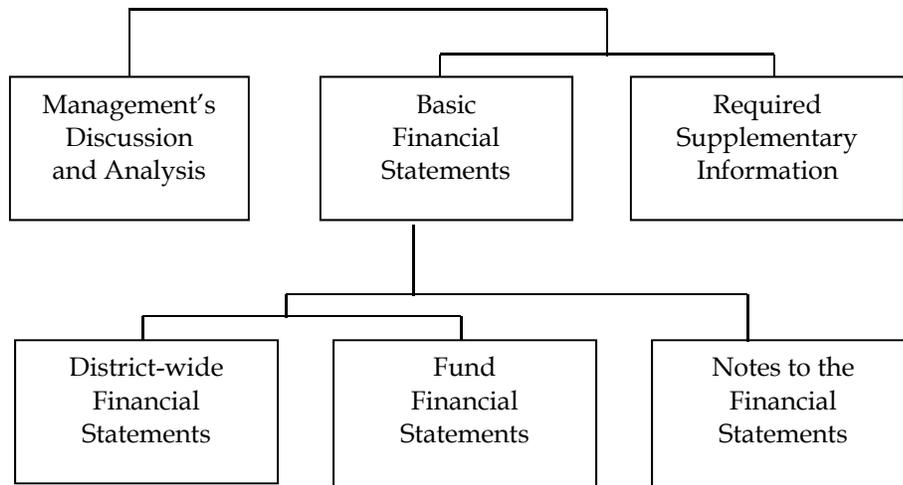
- The assets and deferred outflow of resources are less than the liabilities and deferred inflow of resources of the District at June 30, 2017 by \$36.7 million (net position). Net position decreased \$514 thousand from 2015-16.
- The Local Control Funding Formula Sources account for 81% of the District's General Fund revenues.
- In 2016-17, the District expended 83.7% of its General Fund expenditures and other uses on certificated salaries, classified salaries, and related benefits.
- General Fund governmental fund revenues exceeded expenditures and other uses by \$2.7 million increasing the ending fund balance to \$12.2 million. The ending fund balance consisted of \$277 thousand of nonspendable funds, \$1.97 million for restricted programs, \$906 thousand for assigned designations, and \$9.0 million that is unassigned yet includes the economic uncertainty reservation.
- In complying with GASB 34, capital fixed assets were valued at historical cost. The total of the District's capital assets, land, site, buildings, and equipment, valued on an acquisition cost basis, was \$120.9 million. After depreciation, the June 30, 2017 book value for capital assets totaled \$61.3 million. See Table 3 later in this discussion.

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Center Joint Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



Summary Detail



The first two statements are *district-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's General Fund budget is included.

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2016-2017?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

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

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

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

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was a deficit \$36.7 million at June 30, 2017. The unrestricted deficit is \$70.0 million. Net investment in capital assets accounts for \$25.9 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

**Table 1
Comparative Statement of Net Position**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash (Note 2)	\$ 22,802,616	\$ 15,683,390
Receivables	696,369	1,328,017
Stores inventory	34,995	57,155
Prepaid expenses	262,364	-
Capital assets, net of accumulated depreciation	61,319,109	63,948,234
Total assets	<u>85,115,453</u>	<u>81,016,796</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension (Notes 8 and 9)	<u>8,642,420</u>	<u>4,759,708</u>
LIABILITIES		
Deficit Cash	-	1,336,356
Accounts payable	3,068,539	2,983,737
Unearned revenue	594,457	166,414
Long-term liabilities:		
Due within one year (Note 5)	4,785,000	4,270,674
Due after one year (Note 5)	110,348,610	108,109,756
Total liabilities	<u>118,796,606</u>	<u>116,866,937</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions (Notes 8 and 9)	1,839,654	5,056,490
Deferred gain on refunding of debt	9,782,177	-
Total deferred inflows of resources	<u>11,621,831</u>	<u>5,056,490</u>
NET POSITION		
Net investment in capital assets	25,881,598	29,023,768
Restricted:		
Legally restricted programs	2,575,632	2,225,188
Capital projects	4,063	-
Debt service	4,900,099	3,979,321
Unrestricted	(70,021,956)	(71,375,200)
Total net position	<u>\$ (36,660,564)</u>	<u>\$ (36,146,923)</u>

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 below is a condensed version of the statement and shows revenues and expenses for the year. The District's net position decreased \$514 thousand this fiscal year.

**Table 2
Comparative Statement of Activities**

	2017	2016
REVENUES		
Program revenues	\$ 9,950,874	\$ 9,594,541
General revenues		
Taxes levied for general purposes	7,421,374	6,409,143
Taxes levied for debt service	5,077,633	3,306,393
Federal and State Aid not restricted to specific purposes	33,586,345	33,104,586
Interest and investment earnings	174,365	22,487
Interagency revenues	58,788	61,270
Miscellaneous	468,716	200,875
Total revenues	<u>56,738,095</u>	<u>52,699,295</u>
EXPENSES		
Instruction	30,032,989	29,145,250
Instruction related services	4,884,097	4,484,472
Pupil support services	5,057,155	4,870,658
General administration	2,834,913	2,728,158
Plant services	5,435,054	5,080,784
Other	9,007,528	7,853,619
Total expenses	<u>57,251,736</u>	<u>54,162,941</u>
Increase (Decrease) in Net Position	<u>\$ (513,641)</u>	<u>\$ (1,463,646)</u>

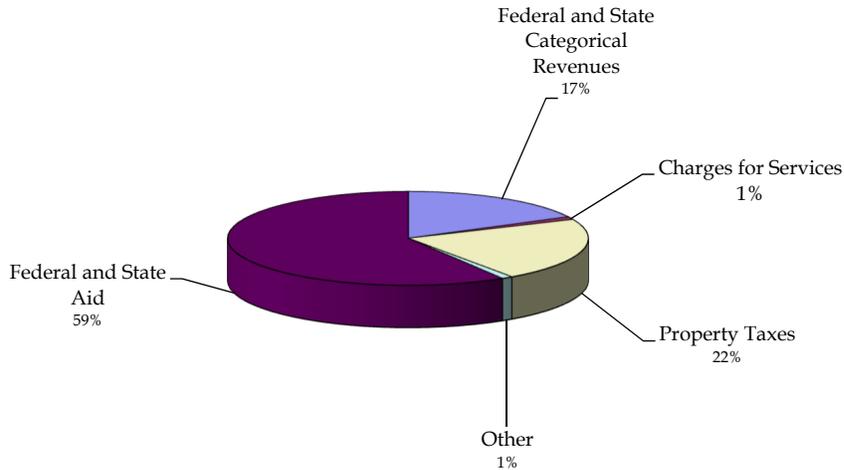
CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

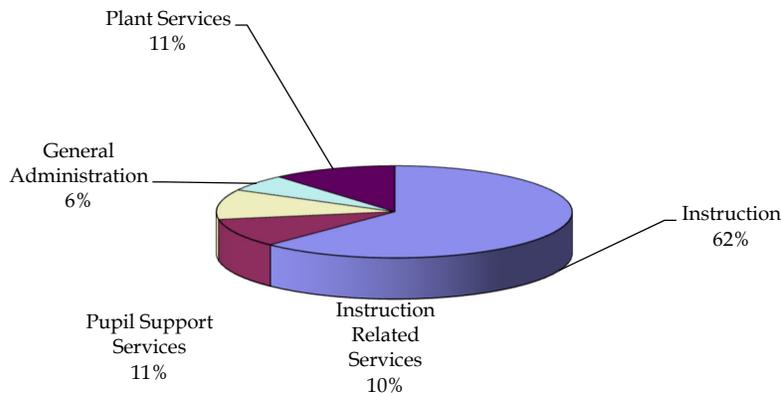
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District’s governmental activities this year was \$57.3 million. The amount that our local taxpayers financed for these activities through property taxes was \$12,5 million. Federal and State aid not restricted to specific purposes totaled \$33.6 million. State and Federal Categorical revenue totaled over \$9.9 million, or 17.5% of the revenue of the entire District (See Figure 1).

**Figure 1
Sources of Revenue for the 2016-2017 Fiscal Year**



**Figure 2
Expenses for the 2016-2017 Fiscal Year**



CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The Statement of Revenues, Expenditures and Changes in Fund Balances is a report of the financial information by major funds. The District's governmental funds reported a combined fund balance of \$21.2 million, an increase of nearly \$8.7 million from the previous fiscal year's combined ending balance of \$12.6 million. The General Fund balance increased \$2.7 million, the Charter Schools Fund increased by \$129 thousand, the Building Fund increased by \$4.6 million, the Capital Facilities Fund increased by \$281 thousand and the Bond Interest and Redemption Fund decreased \$921 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The significant budget adjustments fell into the following categories:

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

The final revised budget for the General Fund projected a net increase to the ending balance of \$994 thousand. The District ended the year with an actual increase of \$2.7 million to the general fund ending balance.

The District's General Fund ending balance totaled \$12.2 million, of which \$9.0 million is unassigned. The remaining balance is made up of restricted and assigned fund balances. The State recommends an ending reserve for economic uncertainties of 3% of total General Fund expenditures and other financing uses. The District's requirement for 2016-2017, was \$1.3 million. The District was able to meet this requirement.

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2016-2017 fiscal year, the District had invested \$120.9 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were \$61.3 million at June 30, 2017, which is a decrease of \$2.6 million from the previous year.

**Table 3
Comparative Schedule of Capital Assets
(net of depreciation)**

	<u>2017</u>	<u>2016</u>	<u>Difference</u>
Land	\$ 10,509,396	\$ 10,509,396	\$ -
Site improvements	1,716,044	1,346,918	369,126
Buildings	44,667,754	47,606,767	(2,939,013)
Machinery and equipment	3,230,806	3,506,727	(275,921)
Work in process	1,195,109	978,426	216,683
Totals	<u>\$ 61,319,109</u>	<u>\$ 63,948,234</u>	<u>\$ (2,629,125)</u>

Long-Term Debt

At June 30, 2017, the District had \$115.1 million in long-term debt outstanding.

**Table 4
Comparative Schedule of Outstanding Debt**

	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ (39,154,514)	\$ (34,924,466)
Accreted interest on bonds	(20,633,168)	(36,085,469)
Unamortized bond premiums	(6,027,665)	(395,581)
Compensated absences	(102,700)	(94,719)
Other postemployment benefits (Note 7)	(6,435,563)	(5,649,610)
Net pension liability (Notes 8 and 9)	<u>(42,780,000)</u>	<u>(35,230,585)</u>
Totals	<u>\$ (115,133,610)</u>	<u>\$ (112,380,430)</u>

The General Obligation Bonds will be paid from the Bond Interest and Redemption Fund and other employee benefit related liabilities will be primarily paid from the General Fund.

CENTER JOINT UNIFIED SCHOOL DISTRICT
MANAGEMENT 'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has been in declining enrollment; however, three new housing developments will be built over the next three years. The District anticipates flat enrollment growth from 2017-18 to 2018-19 then an increase in 2019-20. This enrollment growth will bring in additional funding. It will also require the District to effectively plan for the new growth.

The District's contribution to CalPERS and CalSTRS will continue to increase each year. In 2020-21, employer rates will reach an estimated 23.80% and 19.10%.

The new minimum wage requirements will require the District and its bargaining unites to work collaboratively to restructure some salaries.

The District is showing significant increases in Special Education costs. There has been an increased need for additional staffing, specifically instructional specialists.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Fiscal Services, Center Joint Unified School District, 8408 Watt Avenue, Antelope, CA 95843, (916) 338-6400.

BASIC FINANCIAL STATEMENTS

CENTER JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 22,802,616
Receivables	696,369
Stores inventory	34,995
Prepaid expenses	262,364
Non-depreciable capital assets (Note 4)	12,225,440
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>49,093,669</u>
Total assets	<u>85,115,453</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	<u>8,642,420</u>
LIABILITIES	
Accounts payable	3,068,539
Unearned revenue	594,457
Long-term liabilities:	
Due within one year (Note 5)	4,785,000
Due after one year (Note 5)	<u>110,348,610</u>
Total liabilities	<u>118,796,606</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	1,839,654
Deferred gain on refunding of debt	<u>9,782,177</u>
Total deferred outflows of resources	<u>11,621,831</u>
NET POSITION	
Net investment in capital assets	25,881,598
Restricted:	
Legally restricted programs	2,575,632
Capital projects	4,063
Debt service	4,900,099
Unrestricted	<u>(70,021,956)</u>
Total net position	<u><u>\$ (36,660,564)</u></u>

See accompanying notes to financial statements.

CENTER JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 30,032,989	\$ 122,289	\$ 5,918,514	\$ -	\$ (23,992,186)
Instruction-related services:					
Supervision of instruction and administration	988,227	-	531,565	-	(456,662)
Instructional library, media and technology	561,077	1,743	4,821	-	(554,513)
School site administration	3,334,793	-	275,069	-	(3,059,724)
Pupil services:					
Home-to-school transportation	1,221,177	-	816	-	(1,220,361)
Food services	1,834,623	352,454	1,321,663	-	(160,506)
All other pupil services	2,001,355	-	751,406	-	(1,249,949)
General administration:					
Data processing	680,529	-	-	-	(680,529)
All other general administration	2,154,384	-	193,135	-	(1,961,249)
Plant services	5,435,054	-	378,647	-	(5,056,407)
Ancillary services	371,655	-	8,630	-	(363,025)
Interest on long-term liabilities	4,158,404	-	-	-	(4,158,404)
Other outgo	952,678	-	90,122	-	(862,556)
Depreciation (unallocated)	3,524,791	-	-	-	(3,524,791)
	<u>\$ 57,251,736</u>	<u>\$ 476,486</u>	<u>\$ 9,474,388</u>	<u>\$ -</u>	<u>(47,300,862)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes				7,421,374	
Taxes levied for debt service				5,077,633	
Federal and state aid not restricted to specific purposes				33,586,345	
Interest and investment earnings				174,365	
Interagency revenues				58,788	
Miscellaneous				468,716	
				<u>46,787,221</u>	
				Change in net position	(513,641)
				Net position, July 1, 2016	<u>(36,146,923)</u>
				Net position, June 30, 2017	<u>\$ (36,660,564)</u>

See accompanying notes to financial statements.

CENTER JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ 12,871,141	\$ 151,812	\$ 1,141,920	\$ -	\$ 4,888,403	\$ 328,539	\$ 19,381,815
Cash in revolving fund	10,000	-	-	-	-	1,000	11,000
Cash with Fiscal Agent	-	-	3,409,801	-	-	-	3,409,801
Receivables	559,095	3,139	3,082	-	12,470	118,583	696,369
Due from other funds	1,136,785	192,403	1,316	10,736	-	163,360	1,504,600
Stores inventory	4,504	-	-	-	-	30,491	34,995
Prepaid expenditures	<u>262,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,364</u>
Total assets	<u>\$ 14,843,889</u>	<u>\$ 347,354</u>	<u>\$ 4,556,119</u>	<u>\$ 10,736</u>	<u>\$ 4,900,873</u>	<u>\$ 641,973</u>	<u>\$ 25,300,944</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,716,584	\$ 6,813	\$ -	\$ 5,245	\$ -	\$ 227,750	\$ 1,956,392
Unearned revenue	593,683	-	-	-	774	-	594,457
Due to other funds	<u>367,815</u>	<u>19,488</u>	<u>-</u>	<u>996,626</u>	<u>-</u>	<u>120,671</u>	<u>1,504,600</u>
Total liabilities	<u>2,678,082</u>	<u>26,301</u>	<u>-</u>	<u>1,001,871</u>	<u>774</u>	<u>348,421</u>	<u>4,055,449</u>
Fund balances:							
Nonspendable	276,868	-	-	-	-	31,491	308,359
Restricted	1,965,090	321,053	4,556,119	-	4,900,099	262,061	12,004,422
Assigned	905,607	-	-	-	-	-	905,607
Unassigned	<u>9,018,242</u>	<u>-</u>	<u>-</u>	<u>(991,135)</u>	<u>-</u>	<u>-</u>	<u>8,027,107</u>
Total fund balances	<u>12,165,807</u>	<u>321,053</u>	<u>4,556,119</u>	<u>(991,135)</u>	<u>4,900,099</u>	<u>293,552</u>	<u>21,245,495</u>
Total liabilities and fund balances	<u>\$ 14,843,889</u>	<u>\$ 347,354</u>	<u>\$ 4,556,119</u>	<u>\$ 10,736</u>	<u>\$ 4,900,873</u>	<u>\$ 641,973</u>	<u>\$ 25,300,944</u>

See accompanying notes to financial statements.

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

Total fund balances - Governmental Funds \$ 21,245,495

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$120,893,764 and the accumulated depreciation is \$59,574,655 (Note 4). 61,319,109

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities consisted of (Note 5):

General Obligation Bonds	\$ (39,154,514)	
Accreted interest on bonds	(20,633,168)	
Unamortized bond premiums	(6,027,665)	
Compensated absences	(102,700)	
Other postemployment benefits (Note 7)	(6,435,563)	
Net pension liability (Notes 8 and 9)	<u>(42,780,000)</u>	
		(115,133,610)

Gains on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred inflows and are amortized over the shorter life of the refunded or refunding debt. (9,782,177)

Unmatured interest on long-term liabilities is recognized in the period incurred. (1,112,147)

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	\$ 8,642,420	
Deferred inflows of resources relating to pensions	<u>(1,839,654)</u>	<u>5,690,619</u>

Total net position - governmental activities \$ (36,660,564)

See accompanying notes to financial statements.

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

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:							
Local Control Funding Formula:							
State apportionment	\$ 31,468,009	\$ 337,602	\$ -	\$ -	\$ -	\$ -	\$31,805,611
Local sources	<u>7,346,995</u>	<u>74,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,421,950</u>
Total local control funding funding formula	<u>38,815,004</u>	<u>412,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,227,561</u>
Federal sources	2,403,606	-	-	-	-	1,521,818	3,925,424
Other state sources	4,130,500	197,156	-	-	65,538	802,166	5,195,360
Other local sources	<u>2,292,255</u>	<u>947</u>	<u>21,508</u>	<u>281,345</u>	<u>5,045,660</u>	<u>399,610</u>	<u>8,041,325</u>
Total revenues	<u>47,641,365</u>	<u>610,660</u>	<u>21,508</u>	<u>281,345</u>	<u>5,111,198</u>	<u>2,723,594</u>	<u>56,389,670</u>
Expenditures:							
Current:							
Certificated salaries	20,106,236	273,179	-	-	-	170,707	20,550,122
Classified salaries	7,257,018	83,438	-	-	-	669,072	8,009,528
Employee benefits	9,655,364	120,025	-	-	-	335,438	10,110,827
Books and supplies	1,942,231	1,772	-	-	-	945,616	2,889,619
Contract services and operating expenditures	4,355,664	3,140	762,758	-	-	882,144	6,003,706
Other outgo	522,283	-	-	-	-	-	522,283
Capital outlay	747,094	-	-	-	-	-	747,094
Debt service:							
Principal retirement	-	-	-	-	1,240,417	-	1,240,417
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950,003</u>	<u>-</u>	<u>2,950,003</u>
Total expenditures	<u>44,585,890</u>	<u>481,554</u>	<u>762,758</u>	<u>-</u>	<u>4,190,420</u>	<u>3,002,977</u>	<u>53,023,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,055,475</u>	<u>129,106</u>	<u>(741,250)</u>	<u>281,345</u>	<u>920,778</u>	<u>(279,383)</u>	<u>3,366,071</u>
Other financing sources (uses):							
Transfers in	29,798	-	-	-	-	397,556	427,354
Transfers out	(397,556)	-	-	-	-	(29,798)	(427,354)
Proceeds from issuance of debt	-	-	28,192,621	-	-	-	28,192,621
Premiums on issuance of debt	-	-	6,027,665	-	-	-	6,027,665
Deposit to refunding escrow	<u>-</u>	<u>-</u>	<u>(28,922,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,922,917)</u>
Total other financing sources (uses)	<u>(367,758)</u>	<u>-</u>	<u>5,297,369</u>	<u>-</u>	<u>-</u>	<u>367,758</u>	<u>5,297,369</u>
Net change in fund balances	<u>2,687,717</u>	<u>129,106</u>	<u>4,556,119</u>	<u>281,345</u>	<u>920,778</u>	<u>88,375</u>	<u>8,663,440</u>
Fund balances, July 1, 2016	<u>9,478,090</u>	<u>191,947</u>	<u>-</u>	<u>(1,272,480)</u>	<u>3,979,321</u>	<u>205,177</u>	<u>12,582,055</u>
Fund balances, June 30, 2017	<u>\$ 12,165,807</u>	<u>\$ 321,053</u>	<u>\$ 4,556,119</u>	<u>\$ (991,135)</u>	<u>\$ 4,900,099</u>	<u>\$ 293,552</u>	<u>\$ 21,245,495</u>

See accompanying notes to financial statements.

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

Net change in fund balances - Total Governmental Funds	\$	8,663,440
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$	897,268
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(3,524,791)
Proceeds from disposal of capital assets are reported as revenue in the governmental funds and as gain or loss in the statement of activities (Note 4).		(1,602)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(449,867)
In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net position, proceeds from debt are reported as increases to liabilities (Note 5).		(28,192,621)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).		1,240,417
Payments made to refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).		22,722,156
Accretion of interest is not recorded in the governmental funds. It increases the long-term liabilities in the statement of net position (Note 5).		15,452,301
Interest on long-term liabilities is recognized in the period incurred, in governmental funds it is recognized when due.		(1,112,147)
Gains on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred inflows and are amortized over the shorter life of the refunded or refunding debt.		(9,782,177)
In the statement of activities, expenses related to compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).		(793,934)

(Continued)

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

Debt issue premiums are recognized as revenues in the period they are incurred. In government-wide statements, issue premiums are amortized over the life of the debt (Note 5).

\$ (5,632,084)

(9,177,081)

Change in net position of governmental activities

\$ (513,641)

See accompanying notes to financial statements.

CENTER JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Agency Funds Student Body Funds
ASSETS	
Cash and investments (Note 2):	
Cash on hand and in banks	\$ <u>253,985</u>
LIABILITIES	
Due to students/student groups	\$ <u>253,985</u>

See accompanying notes to financial statements.

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Center Joint Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to 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:

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, boards and agencies that are not legally separate from the District. For Center Joint Unified School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

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

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

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

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Charter Schools Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for Charter School purposes.

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

The Capital Facilities Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the District.

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

B - Other Funds

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

Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This includes the County School Facilities Fund.

The Student Body Account is an agency fund for which the District acts as an agent for all the cash activity of the various student body organizations. Individual totals by school and club are maintained within the District's accounting system.

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Stores Inventory: Inventories are valued at cost. Inventory recorded in the General Fund and the Cafeteria Fund consists of mainly of consumable supplies. Inventories are recorded as an expenditure at the time individual inventory items are consumed.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 5,464,788</u>	<u>\$ 3,177,632</u>	<u>\$ 8,642,420</u>
Deferred inflows of resources	<u>\$ 1,359,000</u>	<u>\$ 480,654</u>	<u>\$ 1,839,654</u>
Net pension liability	<u>\$ 31,618,000</u>	<u>\$ 11,162,000</u>	<u>\$ 42,780,000</u>
Pension expense	<u>\$ 4,188,297</u>	<u>\$ 1,366,244</u>	<u>\$ 5,554,541</u>

Compensated Absences: Compensated absences in the amount of \$102,700 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position:

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

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A -Nonspendable Fund Balance:

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

B -Restricted Fund Balance:

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

C -Committed Fund Balance:

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

D -Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2017, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS

Cash at June 30, 2017 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 19,381,815	\$ -
Deposits:		
Cash on hand and in banks	-	253,985
Revolving cash fund	11,000	-
Cash with Fiscal Agent	<u>3,409,801</u>	<u>-</u>
Total	<u>\$ 22,802,616</u>	<u>\$ 253,985</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's accounts were \$264,985 and the bank balances were \$262,114. The total uninsured bank balances at June 30, 2017 was \$12,114.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

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

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major funds:		
General Fund	\$ 1,136,785	\$ 367,815
Charter Schools Fund	192,403	19,488
Building Fund	1,316	-
Capital Facilities Fund	10,736	996,626
Non-major funds:		
Adult Education Fund	13,979	19
Child Development Fund	-	62,528
Cafeteria Fund	144,772	58,124
Deferred Maintenance Fund	529	-
County School Facilities Fund	<u>4,080</u>	<u>-</u>
Total	<u>\$ 1,504,600</u>	<u>\$ 1,504,600</u>

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Interfund Transfers:

Transfers for the 2016-17 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to support the District's nutrition activities.	\$ 143,493
Transfer from the General Fund to the Deferred Maintenance Fund to support the maintenance of buildings and grounds.	250,000
Transfer from the General Fund to the County School Facilities Fund to cover interest charges.	4,063
Transfer from the Child Development Fund to the General Fund for indirect costs.	<u>29,798</u>
Total Transfers	<u><u>\$ 427,354</u></u>

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, <u>2016</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 10,509,396	\$ -	\$ -	\$ 10,509,396
Work-in-process	<u>1,346,918</u>	<u>372,096</u>	<u>2,970</u>	<u>1,716,044</u>
Totals, at cost	<u>11,856,314</u>	<u>372,096</u>	<u>2,970</u>	<u>12,225,440</u>
Depreciable:				
Buildings	91,482,634	111,102	-	91,593,736
Improvement of sites	13,103,364	14,776	-	13,118,140
Equipment	<u>3,567,778</u>	<u>402,264</u>	<u>13,594</u>	<u>3,956,448</u>
Totals, at cost	<u>120,010,090</u>	<u>900,238</u>	<u>16,564</u>	<u>120,893,764</u>
Less accumulated depreciation:				
Buildings	(43,875,867)	(3,050,115)	-	(46,925,982)
Improvement of sites	(9,596,637)	(290,697)	-	(9,887,334)
Equipment	<u>(2,589,352)</u>	<u>(183,979)</u>	<u>11,992</u>	<u>(2,761,339)</u>
Total accumulated depreciation	<u>(56,061,856)</u>	<u>(3,524,791)</u>	<u>11,992</u>	<u>(59,574,655)</u>
Capital assets, net	<u>\$ 63,948,234</u>	<u>\$ (2,624,553)</u>	<u>\$ 4,572</u>	<u>\$ 61,319,109</u>

Depreciation expense was charged to governmental activities as follows:

Depreciation (unallocated)	<u><u>\$ 3,524,791</u></u>
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(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES

On August 1, 1992, the District issued 1992 General Obligation Bonds, Series "B" totaling \$3,069,796. Bond proceeds were used to acquire land for future schools, construction of new facilities, and rehabilitation of existing facilities. Repayment of the bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds were comprised of Current Interest Bonds and Capital Appreciation Bonds. The bonds bear interest rates from 5.85% to 6.30% and the bonds have matured as of June 30, 2017.

On March 4, 1997, the District issued 1992 General Obligation Bonds, Series "C" totaling \$15,974,099. Bond proceeds were used to acquire land for future schools, construction of new facilities, and rehabilitation of existing facilities. Repayment of the bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest rates from 3.80% to 5.80% and are scheduled to mature through 2022.

On April 4, 2001, the District issued 1992 General Obligation Refunding Bonds, totaling \$1,848,632. The bonds were issued to refund a portion of the District's outstanding 1992 General Obligation Bonds, Series A, originally issued on April 2, 1992. The proceeds of the bonds were placed in an escrow account for the sole benefit of prior bonds. Repayment of the bond is made from the special parcel tax revenues levied in connection with the 1992 General Obligation Bond, Series A issuance. The bonds were comprised of Current Interest Bonds and Capital Appreciation Bonds. The bonds bear interest rates from 3.0% to 5.33% and are scheduled to mature through 2018.

On May 17, 2007, the District issued 1992 General Obligation Bonds, Series "D" totaling \$24,998,234. Bond proceeds of \$5,421,608 were used to repay the District's remaining 2003 Refunding Certificates of participation balance and accrued interest. The remaining proceeds were used to acquire, expand and construct school facilities. Repayment of the bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds bear interest rates from 4.5% to 4.9% and are scheduled to mature through 2032.

On August 4, 2016, the District issued Election of 1991, Series 2016E General Obligation Bonds totaling \$4,996,601. The proceeds of the 2016E Bonds are being used to finance the construction, acquisition, furnishing and equipping of District facilities. Repayment of the bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds were issued as capital appreciation bonds and accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The bonds bear interest rates from 2.62% to 3.17% and are scheduled to mature through 2032.

On August 4, 2016, the District issued Series 2016 General Obligation Refunding Bonds totaling \$23,196,020. The refunding bonds were issued to refund a portion of the District's outstanding General Obligation Bonds (Election of 1991), Series 2007 and pay cost of issuing the Refunding Bonds. The bonds were issued as capital appreciation bonds and accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The bonds bear interest rates from 1.86% to 3.17% and are scheduled to mature through 2032.

At June 30, 2017 \$22,722,156 original principal of refunded bonds was outstanding and will be paid in full on February 1, 2018.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Although the refunding resulted in the recognition of an accounting gain of \$9,782,177 for the year ended June 30, 2017, the District in effect reduced its aggregate debt service payments by \$8,230,000 over the next 7 years and obtained an economic gain of \$5,865,977.

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

Old debt service cash flows	\$ 46,790,000
New debt service cash flows	<u>(38,560,000)</u>
 Cash flow difference	 <u>\$ 8,230,000</u>
 Present value of old debt service cash flows	 \$ 34,836,481
Present value of new debt service cash flows	<u>28,970,504</u>
 Economic gain	 <u>\$ 5,865,977</u>

The outstanding general obligation bonded debt at June 30, 2017 is:

General Obligation Bonds

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Current Year	Redeemed Current Year	Outstanding June 30, 2017
1992	5.85%-6.30%	2017	\$ 3,069,796	\$ 152,010	\$ -	\$ 152,010	\$ -
1997	3.80%-5.80%	2022	15,974,099	9,672,134	-	1,051,594	8,620,540
2001	3.00%-5.33%	2018	1,848,632	102,088	-	36,813	65,275
2007	4.50%-4.90%	2032	24,998,234	24,998,234	-	22,722,156	2,276,078
2016	2.62%-3.17%	2032	4,996,601	-	4,996,601	-	4,996,601
2016	1.86%-3.17%	2032	23,196,020	-	23,196,020	-	23,196,020
 Total			<u>\$ 69,086,781</u>	<u>\$ 34,924,466</u>	<u>\$ 28,192,621</u>	<u>\$ 23,962,573</u>	<u>\$ 39,154,514</u>

Accreted Interest Bonds

Date of Issue	Interest Rate	Maturity Date	Amount of Outstanding July 1, 2016	Accretion Current Year	Payments Current Year	Outstanding June 30, 2017
1992	5.85%-6.30%	2017	\$ 508,945	\$ -	\$ 508,945	\$ -
1997	3.80%-5.80%	2022	20,173,048	1,580,224	3,428,630	18,324,642
2001	3.00%-5.33%	2018	434,157	45,916	336,914	143,159
2007	4.50%-4.90%	2032	14,969,319	233,168	13,435,903	1,766,584
2016	2.62%-3.17%	2032	-	66,435	-	66,435
2016	1.86%-3.17%	2032	-	332,348	-	332,348
 Total			<u>\$ 36,085,469</u>	<u>\$ 2,258,091</u>	<u>\$ 17,710,392</u>	<u>\$ 20,633,168</u>

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the General Obligation Bonds payable are as follows.

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,448,558	\$ 3,336,442	\$ 4,785,000
2019	1,619,067	3,855,933	5,475,000
2020	1,731,521	4,533,479	6,265,000
2021	1,868,903	5,291,097	7,160,000
2022	2,017,766	6,167,234	8,185,000
2023-2027	12,009,125	12,480,875	24,490,000
2028-2032	<u>18,459,574</u>	<u>8,490,426</u>	<u>26,950,000</u>
	<u>\$ 39,154,514</u>	<u>\$ 44,155,486</u>	<u>\$ 83,310,000</u>

A schedule of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 34,924,466	\$ 28,192,621	\$ 23,962,573	\$ 39,154,514	\$ 1,448,558
Accreted interest on bonds	36,085,469	2,258,092	17,710,393	20,633,168	3,336,442
Unamortized bond premiums	395,581	6,027,665	395,581	6,027,665	-
Compensated absences	94,719	7,981	-	102,700	-
Other postemployment benefits (Note 7)	5,649,610	978,059	192,106	6,435,563	-
Net pension liability (Notes 8 and 9)	<u>35,230,585</u>	<u>7,549,415</u>	<u>-</u>	<u>42,780,000</u>	<u>-</u>
	<u>\$ 112,380,430</u>	<u>\$ 45,013,833</u>	<u>\$ 42,260,653</u>	<u>\$ 115,133,610</u>	<u>\$ 4,785,000</u>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund. Payments on the compensated absences, other postemployment benefits and net pension liability will be paid from the fund where the respective employees are paid.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - FUND BALANCES

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

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:							
Revolving fund	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 11,000
Prepaid expenditures	262,364	-	-	-	-	-	262,364
Stores inventory	4,504	-	-	-	-	30,491	34,995
	<u>276,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,491</u>	<u>308,359</u>
Subtotal nonspendable							
Restricted:							
Legally restricted programs	1,965,090	321,053	-	-	-	257,998	2,544,141
Capital Projects	-	-	4,556,119	-	-	4,063	4,560,182
Debt service	-	-	-	-	4,900,099	-	4,900,099
	<u>1,965,090</u>	<u>321,053</u>	<u>4,556,119</u>	<u>-</u>	<u>4,900,099</u>	<u>262,061</u>	<u>12,004,422</u>
Subtotal restricted							
Assigned:							
Strategic Plan	905,607	-	-	-	-	-	905,607
	<u>905,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,607</u>
Subtotal assigned							
Unassigned:							
Designated for economic uncertainty	2,729,830	-	-	-	-	-	2,729,830
Undesignated	6,288,412	-	-	(991,135)	-	-	5,297,277
	<u>9,018,242</u>	<u>-</u>	<u>-</u>	<u>(991,135)</u>	<u>-</u>	<u>-</u>	<u>8,027,107</u>
Subtotal unassigned							
Total fund balances	<u>\$ 12,165,807</u>	<u>\$ 321,053</u>	<u>\$ 4,556,119</u>	<u>\$ (991,135)</u>	<u>\$ 4,900,099</u>	<u>\$ 293,552</u>	<u>\$ 21,245,495</u>

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides health, vision and dental benefits to eligible retirees. The Plan is a single-employer defined benefit healthcare plan administered by the District. The plan does not issue separate financial statements.

Funding Policy: Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2017, expenditures of \$978,059 were recognized for postemployment health care benefits.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation related to the District provided plan.

Annual required contribution	\$ 1,123,156
Interest on net OPEB obligation	254,232
Adjustment to annual required contribution	<u>(399,329)</u>
Annual OPEB cost (expense)	978,059
Contributions made	<u>(192,106)</u>
Increase in net OPEB obligation	785,953
Net OPEB obligation - beginning of year	<u>5,649,610</u>
Net OPEB obligation - end of year	<u><u>\$ 6,435,563</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2017 and the preceding two years were as follows::

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 964,089	14.7%	\$ 4,815,172
June 30, 2016	\$ 976,982	14.6%	\$ 5,649,610
June 30, 2017	\$ 978,059	19.6%	\$ 6,435,563

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation date, the Plan was funded on a pay-as-you-go basis. The actuarial accrued liability for benefits was \$8.5 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$26,138,763 and the ratio of the UAAL to the covered payroll was 33 percent.

(Continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the actuarial assumptions included an annual healthcare cost trend rate of 4.5 percent and a 2.75 percent inflation assumption. The UAAL is being amortized as a flat dollar amount over 30 years.

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to plan liabilities.

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

(Continued)

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Employers – 12.58 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

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

The District contributed \$2,950,788 to the plan for the fiscal year ended June 30, 2016.

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

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

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

District's proportionate share of the net pension liability	\$ 31,618,000
State's proportionate share of the net pension liability associated with the District	<u>18,001,000</u>
Total	<u>\$ 49,619,000</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2016, the District's proportion was 0.039 percent, which was an decrease of 0.001 from its proportion measured as of June 30, 2015.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$4,188,297 and revenue of \$1,188,253 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 771,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	2,514,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	588,000
Contributions made subsequent to measurement date	<u>2,950,788</u>	<u>-</u>
Total	<u>\$ 5,464,788</u>	<u>\$ 1,359,000</u>

\$2,950,788 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2018	\$ (194,924)
2019	\$ (194,923)
2020	\$ 1,235,299
2021	\$ 700,816
2022	\$ (241,933)
2023	\$ (149,335)

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

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

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

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

* 20-year geometric average

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$ 45,505,000</u>	<u>\$ 31,618,000</u>	<u>\$ 20,084,000</u>

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

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

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

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

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

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

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

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

The District contributed \$965,632 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$11,162,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2016, the District’s proportion was 0.057 percent, which was no change from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,366,244. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 480,000	\$ -
Changes of assumptions	-	335,000
Net differences between projected and actual earnings on investments	1,732,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	145,654
Contributions made subsequent to measurement date	<u>965,632</u>	<u>-</u>
Total	<u>\$ 3,177,632</u>	<u>\$ 480,654</u>

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$965,362 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 225,517
2019	\$ 225,517
2020	\$ 828,312
2021	\$ 452,000

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

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

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

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Fixed Income	20	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

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

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

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 9 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 16,654,000</u>	<u>\$ 11,162,000</u>	<u>\$ 6,589,000</u>

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

NOTE 10 - JOINT POWERS AGREEMENTS

The District is a member of a Joint Powers Authority, Schools Insurance Authority (SIA) a risk management program providing 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 change in coverage from the prior year.

The following is a summary of financial information for SIA as of June 30, 2017:

Total assets	\$ 140,450,093
Deferred outflows	\$ 1,580,594
Total liabilities	\$ 67,894,697
Deferred inflows	\$ 253,160
Net position	\$ 73,882,830
Total revenues	\$ 55,147,588
Total expenses	\$ 48,132,916
Change in net position	\$ 7,014,672

NOTE 11 - CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 32,428,256	\$ 32,428,256	\$ 31,468,009	\$ (960,247)
Local sources	<u>6,235,220</u>	<u>6,235,220</u>	<u>7,346,995</u>	<u>1,111,775</u>
Total LCFF	<u>38,663,476</u>	<u>38,663,476</u>	<u>38,815,004</u>	<u>151,528</u>
Federal sources	2,507,984	2,507,984	2,403,606	(104,378)
Other state sources	1,517,508	1,517,508	4,130,500	2,612,992
Other local sources	<u>2,080,628</u>	<u>2,080,628</u>	<u>2,292,255</u>	<u>211,627</u>
Total revenues	<u>44,769,596</u>	<u>44,769,596</u>	<u>47,641,365</u>	<u>2,871,769</u>
Expenditures:				
Current:				
Certificated salaries	20,513,824	20,513,824	20,106,236	407,588
Classified salaries	6,865,192	6,865,192	7,257,018	(391,826)
Employee benefits	9,005,550	9,005,550	9,655,364	(649,814)
Books and supplies	1,985,644	1,985,644	1,942,231	43,413
Contract services and operating expenditures	4,757,438	4,757,438	4,355,664	401,774
Other outgo	425,050	425,050	522,283	(97,233)
Capital outlay	<u>-</u>	<u>-</u>	<u>747,094</u>	<u>(747,094)</u>
Total expenditures	<u>43,552,698</u>	<u>43,552,698</u>	<u>44,585,890</u>	<u>(1,033,192)</u>
Excess of revenues over expenditures	<u>1,216,898</u>	<u>1,216,898</u>	<u>3,055,475</u>	<u>1,838,577</u>
Other financing sources (uses):				
Transfers in	70,743	70,743	29,798	(40,945)
Transfers out	<u>(294,114)</u>	<u>(294,114)</u>	<u>(397,556)</u>	<u>(103,442)</u>
Total other financing sources (uses)	<u>(223,371)</u>	<u>(223,371)</u>	<u>(367,758)</u>	<u>(144,387)</u>
Net change in fund balance	993,527	993,527	2,687,717	1,694,190
Fund balance, July 1, 2016	<u>9,478,090</u>	<u>9,478,090</u>	<u>9,478,090</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 10,471,617</u>	<u>\$ 10,471,617</u>	<u>\$ 12,165,807</u>	<u>\$ 1,694,190</u>

See accompanying note to required supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
 CHARTER SCHOOL FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 446,650	\$ 446,650	\$ 337,602	\$ (109,048)
Local sources	<u>83,297</u>	<u>83,297</u>	<u>74,955</u>	<u>(8,342)</u>
Total LCFF	<u>529,947</u>	<u>529,947</u>	<u>412,557</u>	<u>(117,390)</u>
Other state sources	10,738	10,738	197,156	186,418
Other local sources	<u>3,895</u>	<u>3,895</u>	<u>947</u>	<u>(2,948)</u>
Total revenues	<u>544,580</u>	<u>544,580</u>	<u>610,660</u>	<u>66,080</u>
Expenditures:				
Current:				
Certificated salaries	331,317	331,317	273,179	58,138
Classified salaries	59,311	59,311	83,438	(24,127)
Employee benefits	125,700	125,700	120,025	5,675
Books and supplies	3,719	3,719	1,772	1,947
Contract services and operating expenditures	<u>1,860</u>	<u>1,860</u>	<u>3,140</u>	<u>(1,280)</u>
Total expenditures	<u>521,907</u>	<u>521,907</u>	<u>481,554</u>	<u>40,353</u>
Excess of revenues over expenditures	<u>22,673</u>	<u>22,673</u>	<u>129,106</u>	<u>106,433</u>
Other financing sources (uses):				
Transfers in	15,393	15,393	-	(15,393)
Transfers out	<u>(38,007)</u>	<u>38,007</u>	<u>-</u>	<u>(38,007)</u>
Total other financing sources (uses)	<u>(22,614)</u>	<u>53,400</u>	<u>-</u>	<u>(53,400)</u>
Net change in fund balance	59	76,073	129,106	53,033
Fund balance, July 1, 2016	<u>191,947</u>	<u>191,947</u>	<u>191,947</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 192,006</u>	<u>\$ 268,020</u>	<u>\$ 321,053</u>	<u>\$ 53,033</u>

See accompanying note to required supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
For the Year Ended June 30, 2017

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2012	\$ -	\$ 7,446,487	\$ 7,446,487	0%	\$ 23,106,634	32%
July 1, 2014	\$ -	\$ 8,282,581	\$ 8,282,581	0%	\$ 24,798,975	33%
July 1, 2015	\$ -	\$ 8,495,149	\$ 8,495,149	0%	\$ 26,138,763	33%

Only three years of actuarial valuation data is provided because the District has only had three valuations performed.

See accompanying note to required supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.040%	0.040%	0.039%
District's proportionate share of the net pension liability	\$ 23,374,800	\$ 26,804,537	\$ 31,618,000
State's proportionate share of the net pension liability associated with the District	<u>-</u>	<u>14,195,000</u>	<u>18,001,000</u>
Total net pension liability	<u>\$ 23,374,800</u>	<u>\$ 40,999,537</u>	<u>\$ 49,619,000</u>
District's covered payroll	\$ 17,338,061	\$ 18,504,032	\$ 19,482,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	134.82%	144.86%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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

All years prior to 2015 are not available.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.058%	0.057%	0.057%
District's proportionate share of the net pension liability	\$ 6,607,117	\$ 8,426,048	\$ 11,162,000
District's covered payroll	\$ 6,107,779	\$ 6,321,145	\$ 6,780,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.18%	133.30%	164.63%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,430,390	\$ 2,090,455	\$ 2,950,788
Contributions in relation to the contractually required contribution	<u>(1,430,390)</u>	<u>(2,090,455)</u>	<u>(2,950,788)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,504,032	\$ 19,482,000	\$ 23,456,000
Contributions as a percentage of covered payroll	8.25%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 698,852	\$ 803,253	\$ 965,632
Contributions in relation to the contractually required contribution	<u>(698,852)</u>	<u>(803,253)</u>	<u>(965,632)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,321,145	\$ 6,780,000	\$ 6,953,000
Contributions as a percentage of covered payroll	11.44%	11.85%	13.89%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

As of June 30, 2017, excess of expenditures over appropriations in individual funds were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund	
Classified Salaries	\$ 391,826
Employee Benefits	\$ 649,814
Charter School	
Classified Salaries	\$ 24,127

B - Schedule of Other Postemployment Benefits Funding (OPEB) Progress

The Schedule of Other Postemployment Benefits Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

D - Schedule of the District's Contributions

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E – Changes of Benefit Terms

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

F - Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

CENTER JOINT UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Total
ASSETS						
Cash in County Treasury	\$ 72,519	\$ 206,293	\$ (5,340)	\$ 55,075	\$ (8)	\$ 328,539
Cash in revolving fund	-	-	1,000	-	-	1,000
Receivables	101,920	893	15,770	-	-	118,583
Due from other funds	13,979	-	144,772	529	4,080	163,360
Stores inventory	<u>-</u>	<u>-</u>	<u>30,491</u>	<u>-</u>	<u>-</u>	<u>30,491</u>
Total assets	<u>\$ 188,418</u>	<u>\$ 207,186</u>	<u>\$ 186,693</u>	<u>\$ 55,604</u>	<u>\$ 4,072</u>	<u>\$ 641,973</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 15,200	\$ 115,435	\$ 97,078	\$ 28	\$ 9	\$ 227,750
Due to other funds	<u>19</u>	<u>62,528</u>	<u>58,124</u>	<u>-</u>	<u>-</u>	<u>120,671</u>
Total liabilities	<u>15,219</u>	<u>177,963</u>	<u>155,202</u>	<u>28</u>	<u>9</u>	<u>348,421</u>
Fund balances:						
Nonspendable	-	-	31,491	-	-	31,491
Restricted	<u>173,199</u>	<u>29,223</u>	<u>-</u>	<u>55,576</u>	<u>4,063</u>	<u>262,061</u>
Total fund balances	<u>173,199</u>	<u>29,223</u>	<u>31,491</u>	<u>55,576</u>	<u>4,063</u>	<u>293,552</u>
Total liabilities and fund balances	<u>\$ 188,418</u>	<u>\$ 207,186</u>	<u>\$ 186,693</u>	<u>\$ 55,604</u>	<u>\$ 4,072</u>	<u>\$ 641,973</u>

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Total
Revenues:						
Federal sources	\$ 22,930	\$ 282,588	\$ 1,216,300	\$ -	\$ -	\$ 1,521,818
Other state sources	334,176	363,105	104,885	-	-	802,166
Other local sources	<u>44,209</u>	<u>2,305</u>	<u>352,931</u>	<u>165</u>	<u>-</u>	<u>399,610</u>
Total revenues	<u>401,315</u>	<u>647,998</u>	<u>1,674,116</u>	<u>165</u>	<u>-</u>	<u>2,723,594</u>
Expenditures:						
Current:						
Certificated salaries	170,707	-	-	-	-	170,707
Classified salaries	21,889	-	647,183	-	-	669,072
Employee benefits	49,515	-	285,923	-	-	335,438
Books and supplies	78,539	-	809,032	58,045	-	945,616
Contract services and operating expenditures	44,990	594,770	62,881	179,503	-	882,144
Other outgo	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>365,640</u>	<u>594,770</u>	<u>1,805,019</u>	<u>237,548</u>	<u>-</u>	<u>3,002,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,675</u>	<u>53,228</u>	<u>(130,903)</u>	<u>(237,383)</u>	<u>-</u>	<u>(279,383)</u>
Other financing sources (uses):						
Transfers in	-	-	143,493	250,000	4,063	397,556
Transfers out	<u>-</u>	<u>(29,798)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,798)</u>
Total other financing sources (uses)	<u>-</u>	<u>(29,798)</u>	<u>143,493</u>	<u>250,000</u>	<u>4,063</u>	<u>367,758</u>
Net change in fund balances	35,675	23,430	12,590	12,617	4,063	88,375
Fund balances July 1, 2016	<u>137,524</u>	<u>5,793</u>	<u>18,901</u>	<u>42,959</u>	<u>-</u>	<u>205,177</u>
Fund balances June 30, 2017	<u>\$ 173,199</u>	<u>\$ 29,223</u>	<u>\$ 31,491</u>	<u>\$ 55,576</u>	<u>\$ 4,063</u>	<u>\$ 293,552</u>

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

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
Student Body				
<u>Spinelli Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 19,582	\$ 36,078	\$ 45,041	\$ 10,619
Total assets	<u>\$ 19,582</u>	<u>\$ 36,078</u>	<u>\$ 45,041</u>	<u>\$ 10,619</u>
Liabilities:				
Due to student groups	<u>\$ 19,582</u>	<u>\$ 36,078</u>	<u>\$ 45,041</u>	<u>\$ 10,619</u>
<u>Oak Hill Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 12,016	\$ 60,275	\$ 59,538	\$ 12,753
Total assets	<u>\$ 12,016</u>	<u>\$ 60,275</u>	<u>\$ 59,538</u>	<u>\$ 12,753</u>
Liabilities:				
Due to student groups	<u>\$ 12,016</u>	<u>\$ 60,275</u>	<u>\$ 59,538</u>	<u>\$ 12,753</u>
<u>North Country Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 19,158	\$ 62,546	\$ 62,161	\$ 19,543
Total assets	<u>\$ 19,158</u>	<u>\$ 62,546</u>	<u>\$ 62,161</u>	<u>\$ 19,543</u>
Liabilities:				
Due to student groups	<u>\$ 19,158</u>	<u>\$ 62,546</u>	<u>\$ 62,161</u>	<u>\$ 19,543</u>
<u>Dudley Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 8,078	\$ 34,046	\$ 32,016	\$ 10,108
Total assets	<u>\$ 8,078</u>	<u>\$ 34,046</u>	<u>\$ 32,016</u>	<u>\$ 10,108</u>
Liabilities:				
Due to student groups	<u>\$ 8,078</u>	<u>\$ 34,046</u>	<u>\$ 32,016</u>	<u>\$ 10,108</u>

(Continued)

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

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
Student Body (Continued)				
<u>Wilson C. Riles Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 19,067	\$ 73,537	\$ 70,806	\$ 21,798
Total assets	<u>\$ 19,067</u>	<u>\$ 73,537</u>	<u>\$ 70,806</u>	<u>\$ 21,798</u>
Liabilities:				
Due to student group	<u>\$ 19,067</u>	<u>\$ 73,537</u>	<u>\$ 70,806</u>	<u>\$ 21,798</u>
<u>Center High School</u>				
Assets:				
Cash on hand and in banks	\$ 144,620	\$ 477,796	\$ 446,761	\$ 175,655
Total assets	<u>\$ 144,620</u>	<u>\$ 477,796</u>	<u>\$ 446,761</u>	<u>\$ 175,655</u>
Liabilities:				
Due to student groups	<u>\$ 144,620</u>	<u>\$ 477,796</u>	<u>\$ 446,761</u>	<u>\$ 175,655</u>
<u>McClellan High School</u>				
Assets:				
Cash on hand and in banks	\$ 2,761	\$ 2,678	\$ 2,860	\$ 2,579
Total assets	<u>\$ 2,761</u>	<u>\$ 2,678</u>	<u>\$ 2,860</u>	<u>\$ 2,579</u>
Liabilities:				
Due to student groups	<u>\$ 2,761</u>	<u>\$ 2,678</u>	<u>\$ 2,860</u>	<u>\$ 2,579</u>
<u>Center Adult School</u>				
Assets:				
Cash on hand and in banks	\$ 383	\$ 3,569	\$ 3,022	\$ 930
Total assets	<u>\$ 383</u>	<u>\$ 3,569</u>	<u>\$ 3,022</u>	<u>\$ 930</u>
Liabilities:				
Due to student groups	<u>\$ 383</u>	<u>\$ 3,569</u>	<u>\$ 3,022</u>	<u>\$ 930</u>

(Continued)

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

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
Student Body (Continued)				
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>225,665</u>	\$ <u>750,525</u>	\$ <u>722,205</u>	\$ <u>253,985</u>
Total assets	<u>\$ 225,665</u>	<u>\$ 750,525</u>	<u>\$ 722,205</u>	<u>\$ 253,985</u>
Liabilities:				
Due to student groups	<u>\$ 225,665</u>	<u>\$ 750,525</u>	<u>\$ 722,205</u>	<u>\$ 253,985</u>

CENTER JOINT UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

Center Joint Unified School District was established on July 1, 1858 and comprises an area located in Sacramento and Placer Counties. There were no changes in the boundaries of the District during the current year. The District currently operates four elementary schools, one middle school and one high school. The District also maintains a continuation high school and an adult education program. The District is the authorizing LEA for Global Youth Charter School.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Delrae Pope	President	2020
Nancy Anderson	Clerk	2020
Kelly Kelley	Member	2018
Jeremy Hunt	Member	2018
Donald E. Wilson	Member	2018

ADMINISTRATION

Scott Loehr
Superintendent

Lisa Coronado
Director of Fiscal Services

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

	<u>Second Period Report</u>	<u>Audited Second Period Report</u>	<u>Annual Report</u>
DISTRICT			
Certificate Numbers	1163457B	EB9B5E93	122C49661
Elementary:			
Transitional Kindergarten through Third	1,290	1,290	1,292
Fourth through Sixth	978	978	979
Seventh and Eighth	<u>607</u>	<u>607</u>	<u>606</u>
Subtotal Elementary	<u>2,875</u>	<u>2,875</u>	<u>2,877</u>
Secondary:			
Ninth through Twelfth	<u>1,324</u>	<u>1,324</u>	<u>1,316</u>
Total District	<u><u>4,199</u></u>	<u><u>4,199</u></u>	<u><u>4,193</u></u>
CHARTER SCHOOL			
Certificate Numbers		96A61386	B03F82B6
Classroom-based ADA:			
Seventh through Eighth		16	17
Ninth through Twelfth		<u>28</u>	<u>27</u>
Total classroom-based ADA		<u><u>44</u></u>	<u><u>44</u></u>

See accompanying notes to supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2017

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,170	180	In Compliance
Grade 1	50,400	54,470	180	In Compliance
Grade 2	50,400	54,470	180	In Compliance
Grade 3	50,400	54,470	180	In Compliance
Grade 4	54,000	54,470	180	In Compliance
Grade 5	54,000	54,470	180	In Compliance
Grade 6	54,000	54,470	180	In Compliance
Grade 7	54,000	59,092	180	In Compliance
Grade 8	54,000	59,092	180	In Compliance
Grade 9	64,800	65,440	180	In Compliance
Grade 10	64,800	65,440	180	In Compliance
Grade 11	64,800	65,440	180	In Compliance
Grade 12	64,800	65,440	180	In Compliance

GLOBAL YOUTH CHARTER SCHOOL

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 7	54,000	65,440	180	In Compliance
Grade 8	54,000	65,440	180	In Compliance
Grade 9	64,800	65,440	180	In Compliance
Grade 10	64,800	65,440	180	In Compliance
Grade 11	64,800	65,440	180	In Compliance
Grade 12	64,800	65,440	180	In Compliance

See accompanying notes to supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

Federal Catalog Number	Entity Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Federal Identifying Number	Expend itures
<u>United States Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13523	\$ <u>1,216,300</u>
	Total United States Department of Agriculture		<u>1,216,300</u>
<u>United States Department of Education - Passed through California Department of Rehabilitation</u>			
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	<u>74,762</u>
<u>United States Department of Education - Passed through California Department of Education</u>			
	Adult Education Programs:		
84.002	Adult Secondary Education (Section 231)	13978	3,804
84.002	English Literacy & Civics Education	14750	7,319
84.002A	Adult Basic Education & ELA (Section 231)	14508	<u>11,807</u>
	Subtotal Adult Education Programs		<u>22,930</u>
	Special Education (IDEA) Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	846,160
84.027	IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	2,069
84.027A	IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	16382	58,956
84.027A	IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	15197	48,668
84.173	IDEA Preschool Grants, Part B, Section 619	13430	<u>20,890</u>
	Subtotal Special Education (IDEA) Cluster		<u>976,743</u>
	ESEA: Title III Programs:		
84.365	Title III, English Learner Student Program	14346	3,951
84.365	Title III, Immigrant Education Program	15146	<u>11,844</u>
	Subtotal ESEA: Title III Programs		<u>15,795</u>

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Entity Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Federal Identifying Number</u>	<u>Expend itures</u>
<u>United States Department of Education - Passed through California Department of Education (Continued)</u>			
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 969,799
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	105,918
84.196	ESSA: Education for Homeless Children and Youth	14332	37,354
84.330B	Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	7,258
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	<u>31,236</u>
	Total United States Department of Education		<u>2,167,033</u>
<u>United States Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Dev: Federal General (CCTR) and State Preschool (CSPP): Family Child Care Home (CFCC) - CCDF Cluster	13609	282,588
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option - Medicaid Cluster	10013	<u>162,292</u>
	Total United States Department of Health and Human Services		<u>444,880</u>
	Total Federal Programs		<u>\$ 3,902,975</u>

See accompanying notes to supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

See accompanying notes to supplementary information.

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

	(Budgeted) <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 46,351,120	\$ 47,671,163	\$ 45,454,145	\$ 40,044,289
Expenditures	45,797,264	44,585,890	41,895,825	39,569,990
Other uses and transfers out	<u>250,000</u>	<u>397,556</u>	<u>294,686</u>	<u>1,973</u>
Total outgo	<u>46,047,264</u>	<u>44,983,446</u>	<u>42,190,511</u>	<u>39,571,963</u>
Change in fund balance	<u>\$ 303,856</u>	<u>\$ 2,687,717</u>	<u>\$ 3,263,634</u>	<u>\$ 472,326</u>
Ending fund balance	<u>\$ 12,469,663</u>	<u>\$ 12,165,807</u>	<u>\$ 9,478,090</u>	<u>\$ 6,214,456</u>
Available reserves	<u>\$ 6,972,727</u>	<u>\$ 9,018,242</u>	<u>\$ 6,121,021</u>	<u>\$ 3,525,325</u>
Designated for economic uncertainties	<u>\$ 1,373,045</u>	<u>\$ 2,729,830</u>	<u>\$ 2,353,133</u>	<u>\$ 2,199,508</u>
Undesignated fund balance	<u>\$ 5,599,682</u>	<u>\$ 6,288,412</u>	<u>\$ 3,767,888</u>	<u>\$ 1,325,817</u>
Available reserves as a percentage of total outgo	<u>15.1%</u>	<u>20.0%</u>	<u>14.5%</u>	<u>8.9%</u>
Total long-term liabilities	<u>\$110,348,610</u>	<u>\$115,133,610</u>	<u>\$112,380,430</u>	<u>\$106,154,776</u>
Average daily attendance at P-2 (excluding Charter School)	<u>4,180</u>	<u>4,199</u>	<u>4,247</u>	<u>4,315</u>

The General Fund fund balance has increased by \$6,423,677 over the past three years. The District projects a increase of \$303,856 for the fiscal year ending 2017-2018. For a district this size, the State of California recommends available reserves of at least three percent of total General Fund expenditures, transfers out and other uses be maintained. The District has met this requirement.

The District has incurred operating surpluses over the past three years, and anticipates incurring an operating surplus during the 2017-2018 fiscal year.

Total long-term liabilities have increased by \$8,978,834 over the past two years.

Average daily attendance has decreased by 116 over the past two years. The District anticipates an decrease of 19 ADA for the fiscal year ended 2017-2018.

See accompanying notes to supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2017

Charter Schools Sponsored by District

0617 Global Youth Charter School

Included in District
Financial Statements, or
Separate Report

Included as Charter
Schools Fund

See accompanying notes to supplementary information.

CENTER JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

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

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 3,925,424
Less: Dept of Health Care Services (DHCS): Medi-Cal Billing funds received in excess of expenditures	93.778	<u>(22,449)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,902,975</u>

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on District's financial condition over the past three years and its anticipated condition for the 2017-2018 fiscal year.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

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

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

Board of Trustees
 Center Joint Unified School District
 Sacramento, California

Report on Compliance with State Laws and Regulations

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

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Related Services	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom Based Instruction, for charter schools	No, see below
Annual Instructional Minutes Classroom Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

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

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have Middle or Early College High School; therefore, we did not perform any procedures related to this program.

The District did not offer a After School Education and Safety Program during the current year; therefore, we did not perform any procedures related to this program.

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

The District submitted their immunization assessment reports within the required time from for the fiscal year; therefore, we did not perform any procedures related to this program.

The District does not operate a non-classroom based Charter School, therefore, we did not perform any procedures related to Non-classroom Based Instruction/Independent Study and Determination of Funding for Nonclassroom Based Charter Schools.

The District did not receive any Charter School Facility Grant funds in the current year; therefore, we did not perform any procedures related to Charter School Facility Grant.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Center Joint Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Center Joint Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Center 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 with state laws and regulations. However, our audit does not provide a legal determination of Center Joint Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Findings 2017-002, 2017-003 and 2017-004 in the accompanying Schedule of Audit Findings and Questioned Costs, Center Joint Unified School District did not comply with requirements regarding Attendance for Charter Schools, Proper Expenditure of Education Protection Account Funds and Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Center Joint Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance for Charter Schools, Proper Expenditure of Education Protection Account Funds and Unduplicated Local Control Funding Formula Pupil Counts.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Center Joint Unified School District complied, in all material respects, with the with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

Other Matter

Center Joint Unified School District's response to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Center Joint Unified School District's responses were not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2017

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

Board of Trustees
Center Joint Unified School District
Sacramento, 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 Center Joint Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Center Joint Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

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

We identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2017-001.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center 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*.

Center Joint Unified School District's Response to Finding

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2017

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

Board of Trustees
Center Joint Unified School District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Center 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 Center Joint Unified School District's major federal programs for the year ended June 30, 2017. Center Joint Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Center 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, 2017.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2017

FINDINGS AND RECOMMENDATIONS

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At Oak Hill Elementary, total receipts are not supported by detailed schedules defining the number of items receipted and the unit price per item included in the receipt. For the science fieldtrip, there was no tally sheet or evidence of number students and funds per student collected.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Established internal controls have not been followed.

Fiscal Impact

Not determinable.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District will visit sites and provide annual training for ASB bookkeepers, administrators, and advisors, with emphasis in the areas noted above

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support attendance reported to the State.

Condition

At Global Youth Charter School one student was improperly included for a total misstatement of 1 day.

Effect

The effect of this finding is an overstatement of 0.01 ADA in the ninth through twelfth grade span.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

No fiscal impact as the effect is less than 0.5 ADA.

Recommendation

The District should ensure attendance records are correct.

Views of Responsible Officials and Planned Corrective Actions

The District will continue to provide annual training regarding attendance reporting. The importance of clerical accuracy will be emphasized. Global Youth Charter School, the site with the misstatement, voluntarily closed after the 2016-17 school year.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-003 DEFICIENCY – STATE COMPLIANCE - PROPER EXPENDITURE OF EDUCATION PROTECTION ACCOUNT FUNDS (40000)

Criteria

The California Constitution Article XIII, Section 36(e)(6), states that a school district shall have sole authority to determine how the moneys received from the Education Protection Account (EPA) are spent in the schools within its jurisdiction, provided, however, that the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the Education Protection Account for salaries or benefits of administrators or any other administrative costs.

Condition

EPA funds were approved to be spent on McClellan and Center High School teacher salaries, however one expenditure selected for testing indicated funds were used for a teacher that works at Spinelli Elementary School.

Effect

The salary for the teacher improperly charged to EPA funds should be paid using other resources of the District.

Cause

The District did not properly review expenditures charged to EPA funds.

Fiscal Impact

No impact.

Recommendation

The District should review all expenditures to ensure they are in accordance with spending determination set by the Board of Trustees.

Views of Responsible Officials and Planned Corrective Actions

The District corrected this by transferring funds from another source to cover these salaries. In addition, the District passed Board Resolution #1/2017-18 to allow for the inclusion of all teacher salaries in EPA expenditures.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-004 DEFICIENCY – STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria

A student is classified as an English learner for LCFF purposes if he or she is identified in CALPADS as enrolled on Census Day with an English Language Acquisition Status (ELAS) of “English learner” (EL).

Condition

Out of the 3 students selected for EL testing at Wilson C. Riles Middle School, 1 student listed on the 1.17 Report as ELAS-eligible, District documentation indicates the student was not ELAS-eligible.

Out of the 3 students selected for EL testing at Center High School, 1 student listed on the 1.17 Report as ELAS-eligible, District documentation indicates the student was not ELAS-eligible.

Effect

The effect of this finding is an extrapolated 16 students overreported for CalPads.

	<u>Enrollment</u>	Free & Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS
<u>Wilson C. Riles Middle School</u>				
As certified on CalPADS	639	407	81	431
Audit Adjustments	-	-	(7)	-
Adjusted counts	<u>639</u>	<u>407</u>	<u>74</u>	<u>431</u>
<u>Center High School</u>				
As certified on CalPADS	1,330	735	100	765
Audit Adjustments	-	-	(9)	-
Adjusted counts	<u>1,330</u>	<u>735</u>	<u>91</u>	<u>765</u>
<u>District Wide</u>				
As certified on CalPADS	4,428	2,701	760	2,923
Audit Adjustments	-	-	(16)	-
Adjusted counts	<u>4,428</u>	<u>2,701</u>	<u>744</u>	<u>2,923</u>

Cause

The errors were the result of incomplete documentation for the designation of students as ELAS.

Fiscal Impact

The effect of the error is a reduction on the District's unduplicated Pupil Percentage from 64.51% to 64.39%, representing a reduction in Local Control Funding Formula funding of approximately \$16,000.

(Continued)

CENTER JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-004 DEFICIENCY – STATE COMPLIANCE - UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (Continued)

Recommendation

The District should ensure that all appropriate documentation is retained and updated for all ELAS students included in the CalPADS 1.17 reports.

Views of Responsible Officials and Planned Corrective Actions

The District will set up a meeting with all EL teachers and the CalPADS Technician to review EL status reclassification procedures. At this meeting, it will be determined if procedures and/or responsibilities need to be changed in order to ensure accuracy and timeliness of reporting.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

CENTER JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2016-001</p> <p><u>Condition:</u> Journal entries are created and posted by the Chief Business Official without a review by a second person.</p> <p><u>Recommendation:</u> We recommend procedures for processing journal entries be reviewed and revised to strengthen the internal controls by implementing the documented review of each journal entry.</p>	Implemented.	