

**CARMEL UNIFIED SCHOOL DISTRICT  
MONTEREY COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2018**

**CARMEL UNIFIED SCHOOL DISTRICT**

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**June 30, 2018**

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**CARMEL UNIFIED SCHOOL DISTRICT**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Carmel Unified School District  
Carmel, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carmel Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Carmel Unified School District  
Carmel, California

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 in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 13). Our auditors' opinion was not modified with respect to the restatement.

### **Other Matters**

#### *Required Supplementary Information*

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

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Carmel Unified School District  
Carmel, California

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules, combining non-major fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2018

**CARMEL UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2018**

**INTRODUCTION**

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

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

The Carmel Unified School District provides instruction to approximately 2,450 students from transitional kindergarten through twelfth grade. During the 2017-18 school year, the District operated three elementary schools, one middle school, one high school, one alternative high school, and a Regional Occupational Program (ROP) on an August through June schedule. The District also operated two pre-schools and an adult education program on an extended year basis.

**USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

- \* This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Carmel Unified School District as a whole, followed by a detailed examination of specific financial activities.
- \* The Management’s Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to document the District's accountability for the money it receives.

**FINANCIAL HIGHLIGHTS**

- \* The Carmel Unified School District's Government-wide *Statement of Net Position* indicates the District ended the fiscal year with net position of \$(963,613) derived by reducing total assets and deferred outflows of \$104,530,197, by liabilities and deferred inflows of \$105,493,810. This represents a decrease of \$6,119,761 in total net position over the prior year.
- \* The General Fund reported a positive fund balance of \$19,696,535, a net decrease of \$766,022 over the prior fiscal year. The decrease in fund balance was a result of utilizing partial assignments for the purchase of buses and textbook adoptions. The District maintains reserves for economic uncertainties at 5% of expenditures which exceeds the

# CARMEL UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

state mandated minimum of 3%. Additionally, Board policy has established a Basic Aid reserve of no less than 10% of the differential between property tax revenues and the District's revenue as defined by state formula.

- \* The Special Reserve for Capital Outlay Fund reported a positive fund balance of \$3,865,429. This balance increased by \$961,886 from the prior year as a result of transfer from the General Fund to facilitate the purchase of land. The fund's positive ending balance has been assigned by the Board of Education to capital improvement projects throughout the district including the purchase of 8 acres adjacent to Carmel Middle School.

### REPORTING THE DISTRICT AS A WHOLE

#### THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities using the accrual basis of accounting similar to accounting procedures used by private sector corporations. All current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. These two statements report the Carmel Unified School District's net position and indicate whether they have increased or decreased over the prior year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment, and facility conditions in arriving at a conclusion regarding the overall health of the District.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds of the District, not the organization as a whole. Funds are accounting formats the District uses to keep track of specific sources of funding and expenditures associated with specific programs. Some funds are required by bond covenants and state law. Other funds are established by the District to control and manage a variety of activities for specific purposes or to address specific accounting requirements for certain revenue and expenditure classifications.

#### GOVERNMENTAL FUNDS

Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The government fund statements provide a detailed short-term view of the District's general operations. The information they provide helps determine whether there are more or fewer financial resources available in the near future to finance the District's programs. This information does not encompass the additional long-term focus of the

## **CARMEL UNIFIED SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018**

government-wide statements. A reconciliation following the governmental fund statements explains the differences (or relationships) between governmental fund and government-wide financial statements.

#### **PROPRIETARY FUNDS**

When the District charges other departments within the District or external users for the services it provides, these services are generally reported in proprietary funds. Proprietary Funds are reported in the same manner as government-wide statements. The proprietary fund category includes Internal Service Funds. Internal Service Funds report activities that provide supplies and services for the District's other programs. The District maintained an Internal Service Fund, the Retiree Benefits Fund, to account for retiree health insurance costs as well as the District's contribution toward the cost of future benefits.

#### **FIDUCIARY FUNDS**

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The Fiduciary Fund Category includes Trust and Agency Funds. The District uses an agency fund to account for resources held for student activities and groups. These funds include Associated Student Body Funds and a Foundation Trust Fund for fine arts.

The Carmel Unified School District is the trustee, or fiduciary, for its student activity funds. All school District 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 Carmel Unified School District is responsible for ensuring the assets reported in these funds are used for their intended purpose.

#### **THE DISTRICT AS A WHOLE**

The District's net position was \$(963,613) for the fiscal year ended June 30, 2018 and approximately \$5.1 million for the fiscal year ended June 30, 2017. This represents an approximate decrease of \$6.1 million in net position over the prior fiscal period. This decrease in net position is largely a result of changes in liabilities tied to new accounting principles for employee retirement benefits and the district's liability associated with state pension program (See Note 10 and 11 to the financial statements). An additional factor in the overall reduction in the district's net position was the lowering of capital assets through normal depreciation.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2018**

	2018	2017	Variance
<b>Assets</b>			
Cash	\$ 28,954,673	\$ 29,253,408	\$ (298,735)
Accounts receivable	528,090	547,084	(18,994)
Stores inventory	7,642	9,887	(2,245)
Prepaid expenditures	23,600	28,860	(5,260)
Capital assets, net	54,678,647	56,541,604	(1,862,957)
<b>Total Assets</b>	<u>84,192,652</u>	<u>86,380,843</u>	<u>(2,188,191)</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	3,081,372	3,314,965	(233,593)
Deferred outflows - pension & OPEB	17,256,173	10,968,874	6,287,299
<b>Deferred Outflows of Resources</b>	<u>20,337,545</u>	<u>14,283,839</u>	<u>6,053,706</u>
<b>Liabilities</b>			
Other liabilities	2,564,420	2,823,991	(259,571)
Long-term debt outstanding	98,701,164	89,347,713	9,353,451
<b>Total Liabilities</b>	<u>101,265,584</u>	<u>92,171,704</u>	<u>9,093,880</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pensions	4,228,226	3,336,830	891,396
<b>Deferred Inflows of Resources</b>	<u>4,228,226</u>	<u>3,336,830</u>	<u>891,396</u>
<b>Net Position</b>			
Net investment in capital assets	23,850,326	24,371,484	(521,158)
Restricted	3,684,559	3,167,557	517,002
Unrestricted	(28,498,498)	(22,382,893)	(6,115,605)
<b>Total Net Position</b>	<u>\$ (963,613)</u>	<u>\$ 5,156,148</u>	<u>\$ (6,119,761)</u>

\* Cash with the District is invested with the Monterey County Treasury. The decrease in cash position between fiscal years 2017 and 2018 is primarily a result of the purchase of buses used for student transportation.

\* Accounts receivable are mainly amounts due from State and Federal government sources for the operation of categorical programs.

**CARMEL UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2018**

- \* The value of Capital Assets in the district decreased by approximately \$1.8 million over the prior year due to annual depreciation and retirement of construction in progress (see Note 7 to the financial statements).
  
- \* The increase of approximately \$9.1 million in the liabilities category is primarily the result of accounting regulations from the Governmental Accounting Standards Board (GASB). The \$9.3 million increase in "long-term debt outstanding" is a result of a requirement that the district reflect its pension liability for employees eligible for retirement benefits through either the State Teachers Retirement or the Public Employees Retirement System and its OPEB liability for the future cost of health and welfare benefits for retirees.

**STATEMENT OF ACTIVITIES**

Statement of Activities presents the revenues earned, whether received or not and the expenses incurred, whether paid or not, by the District. The purpose of this Statement is to present the results of this year's operations for the District as a whole.

The Statement of Activities is summarized below:

**CARMEL UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 490,757	\$ 458,143	\$ 32,614
Operating grants and contributions	4,640,473	4,613,307	27,166
General revenues:			
Property taxes	51,703,793	49,458,329	2,245,464
Federal and State aid not restricted to specific purposes	2,979,767	3,088,483	(108,716)
Interest and investment earnings	356,103	345,709	10,394
Other	<u>1,825,739</u>	<u>1,810,799</u>	<u>14,940</u>
Total Revenues	<u>61,996,632</u>	<u>59,774,770</u>	<u>2,221,862</u>
<b>Expenses</b>			
Instruction	33,054,747	32,701,069	353,678
Instruction - related services	7,334,400	6,774,204	560,196
Pupil services	5,634,743	5,506,560	128,183
Ancillary services	713,568		713,568
Community services	447,039	391,772	55,267
General administration	4,955,485	2,679,811	2,275,674
Plant services	7,098,479	6,725,973	372,506
Other outgo	800,247	381,525	418,722
Debt service - interest	1,400,862	929,386	471,476
Depreciation (unallocated)	<u>3,212,543</u>	<u>3,162,510</u>	<u>50,033</u>
Total Expenses	<u>64,652,113</u>	<u>59,252,810</u>	<u>5,399,303</u>
<b>Increase in net position</b>	(2,655,481)	521,960	(3,177,441)
<b>Net position, at beginning of year</b>	5,156,148	4,634,188	521,960
<b>Cumulative effect of change in accounting standard</b>	<u>(3,464,280)</u>		<u>(3,464,280)</u>
<b>Net position, at beginning of year after cumulative effect</b>	<u>1,691,868</u>	<u>4,634,188</u>	<u>(2,942,320)</u>
<b>Net position, end of year</b>	<u>\$ (963,613)</u>	<u>\$ 5,156,148</u>	<u>\$ (6,119,761)</u>

Total revenues at June 30, 2018 are approximately \$2.2 million more than in 2017. This is largely the result of increases in local property tax income. Expenses increased approximately \$5.3 million in the same period. The largest change in expenses were primarily a result of the reclassification of Interest associated with General Obligation Bond, refinanced in 2017. Additionally, a change in accounting principle for other post-employment benefits for retirees resulted in a \$3.5 million reduction in net position.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2018**

The information in the following table shows the District's nine (9) largest functions and their respective net costs (total cost less revenues generated by the activities).

**Governmental Activities**  
**Fiscal Year ended June 30, 2018**

<u>Functions/Programs</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Governmental activities:		
Instruction	33,054,747	\$ 29,674,767
Instruction - related services	7,334,400	6,826,525
Pupil services	5,634,743	4,746,060
Ancillary services	713,568	699,387
Community services	447,039	434,657
General administration	4,955,485	4,900,539
Plant services	7,098,479	6,972,742
Other outgo	800,247	652,801
Debt service - interest	1,400,862	1,400,862
Depreciation (unallocated)	3,212,543	3,212,543
Total governmental activities	<u>\$ 64,652,113</u>	<u>\$ 59,520,883</u>

**GOVERNMENTAL FUNDS**

The Special Reserve for Capital Outlay Fund qualifies, for reporting purposes, as a major fund and is stated separately from those funds included under the title “non-major governmental funds” (see page 74 and 75 for individual detail of funds). The District also operates adult education and deferred maintenance programs. Throughout the year these programs are accounted for independently. As required by GASB Statement No. 54, fund balance amounts from these programs are included in general fund statements for reporting purposes.

**GENERAL FUND BUDGET INFORMATION**

The General Fund is the District’s principal operating fund. The District begins the budget process in January of each year, by forecasting changes in revenue and expenditure assumptions. Each school in the District receives a budgetary allocation based on projected student enrollment, historical spending and current site needs. Individual departments provide input to the Business Office regarding their budget needs. Over the course of the year, the site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations. During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District.

## CARMEL UNIFIED SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2018

- \* On page 55 of the “Required Supplementary Information” section of the attached financial statements, is a chart comparing general fund budgetary amounts to actual revenues and expenses. For the 2017-18 year variances between original and final budgets are a result of the following: In revenues, the District received more local property tax revenue than initially projected by the County Assessor and was awarded E-Rate funding for qualifying technology purchases. In the expenditure area, final expenditures were more than originally budgeted as they were adjusted based on projected increases in property tax revenues and E-Rate funding. In addition, interfund transfers out increased as a result of decisions to purchase land and to fund deferred maintenance of district facilities for the subsequent three years.
- \* The District's largest operating expenses are for salaries and benefits. In the 2017-2018 year, expenditures in those categories approximated 82% of total expenses incurred in the general fund. Certificated and classified salaries are adjusted annually for step and column increases and savings due to attrition and retirements.

#### GENERAL FUND BUDGET VARIATIONS

In June of each year, a budget is adopted by the Carmel Unified School District's Board of Trustees, effective July 1 for fiscal year ending June 30 of the subsequent calendar year. As the school year progresses, the budget is revised and updated, with numerous financial reports made public outlining the revisions. Approximately 2 months after the June 30 fiscal year end, the books are closed, and the results are audited, yielding actual final numbers.

There are several reasons for budget revisions. Any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would yield budget revisions. Also, salary changes for district employees are reflected through a budget revision.

#### CAPITAL ASSET and DEBT ADMINISTRATION

##### **Capital Assets**

The Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that governmental agencies account for fixed assets in the same way that private and public corporations do. This involves recognizing the cost of such District fixed assets as land and building and equipment in the fixed asset section of the statement of net position. Districts must now track annual and accumulated depreciation on major assets.

As of June 30, 2018 the District had \$54,678,647 invested in capital assets for governmental activities net of depreciation. Note 7 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation is presented below:

**CARMEL UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2018**

Land	\$ 2,375,748
Art collection	101,200
Construction in progress	361,732
Depreciable assets, net	<u>51,839,967</u>
Total capital assets	<u><u>\$ 54,678,647</u></u>

The total net capital assets balance decreased approximately \$1.8 million over the prior year, as a result of normal depreciation as well as the decision to discontinue some construction in progress and begin a formalized facilities master planning process.

**Debt**

Notes 8, 9, 10, and 11 to the financial statements provides additional information on outstanding debt. A summary of the district's outstanding debt at year-end is presented below:

General obligation bonds	\$ 33,909,693
Compensated absences	318,993
Other postemployment benefits	10,274,538
Net pension liability	<u>54,197,940</u>
Net long-term debt	<u><u>\$ 98,701,164</u></u>

The long-term debt balance was approximately \$89 million in prior year. The change in balance from prior to current year is a result of updating long term liabilities associated with employee pension programs, a reduction in general obligation bond balances, based on scheduled repayments, and the most recent actuarially determined postemployment benefit balances. The amount for other postemployment benefits is based on an actuarial calculation as required by GASB Statement No. 75. Note 10 provides more detailed information about this district obligation. Compensated absences relate to obligations the District has to certain employees for unpaid vacation benefits. A more detailed explanation can be found in Note 1 of the Financial Statements.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

In planning the 2018-19 operating budget, the District Board and management utilized the following criteria:

- 1) The District’s primary source of income, property tax revenue, was budgeted based on estimated yields derived from the County Assessor’s most recent projected valuations.
- 2) The number of K-12 students to be served by the District was expected to decrease slightly based on the cohort survival method of projecting enrollment.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2018**

- 3) Certificated staffing levels were based on enrollment projections for each school site.
- 4) The District's ending fund balance is projected at 5% which exceeds the State's recommended 3% contingency reserve requirement and also includes a reserve for basic aid exceeding the Board established minimum of 10% of the differential between revenue limit and property tax income.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School 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, contact:

Rick Blanckmeister, Chief Business Official  
Carmel Unified School District  
P.O. Box 222700  
Carmel, CA 93922

E-mail - [rblanckmeister@carmelunified.org](mailto:rblanckmeister@carmelunified.org)

## **FINANCIAL SECTION**

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2018**

	Governmental Activities
<b><u>Assets</u></b>	
Cash in county treasury	\$ 28,918,550
Cash in revolving fund	5,000
Cash collections awaiting deposit	31,123
Accounts receivable	528,090
Inventories	7,642
Prepaid expenses	23,600
Land	2,375,748
Art collection	101,200
Construction in progress	361,732
Depreciable assets, net	51,839,967
<b>Total Assets</b>	<b>84,192,652</b>
 <b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	3,081,372
Deferred outflows - OPEB	533,487
Deferred outflows - pensions	16,722,686
<b>Total Deferred Outflows of Resources</b>	<b>20,337,545</b>
 <b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	2,087,600
Accrued interest	422,456
Unearned revenue	54,364
Current portion of long-term liabilities	
General obligation bonds	1,885,000
Non-current portion of long term liabilities	
General obligation bonds	32,024,693
Compensated absences	318,993
Net other postemployment benefits liability	10,274,538
Net pension liability	54,197,940
<b>Total Liabilities</b>	<b>101,265,584</b>
 <b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pensions	4,228,226
 <b><u>Net Position</u></b>	
Net Investment in capital assets	23,850,326
Restricted for:	
Debt service	2,101,684
Educational programs	552,053
Self-insurance programs	1,030,822
Unrestricted	(28,498,498)
<b>Total Net Position</b>	<b>\$ (963,613)</b>

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2018**

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 33,054,747	\$ 6,810	\$ 3,373,170	\$ (29,674,767)
Instruction - related services	7,334,400	1,333	506,542	(6,826,525)
Pupil services	5,634,743	482,614	406,069	(4,746,060)
Ancillary services	713,568		14,181	(699,387)
Community services	447,039		12,382	(434,657)
General administration	4,955,485		54,946	(4,900,539)
Plant services	6,630,726		125,737	(6,504,989)
Other outgo	781,802		147,446	(634,356)
Debt service - interest	1,419,308			(1,419,308)
Depreciation (unallocated)	3,212,543			(3,212,543)
<b>Total Governmental Activities</b>	<b>\$ 64,184,361</b>	<b>\$ 490,757</b>	<b>\$ 4,640,473</b>	<b>(59,053,131)</b>
<b>General Revenues</b>				
Property taxes levied for				
General purposes				49,253,264
Debt service				2,450,529
Federal and state aid not restricted to specific purposes				2,979,767
Interest and investment earnings				356,103
Miscellaneous				1,825,739
<i>Special item - loss on disposal of assets</i>				<u>(467,752)</u>
<b>Total General Revenues</b>				<u>56,397,650</u>
				Change in net position
				<u>(2,655,481)</u>
Net Position - Beginning of Year				5,156,148
Cumulative effect of change in accounting principle				<u>(3,464,280)</u>
Net Position - Beginning of Year after cumulative effect				<u>1,691,868</u>
Net Position - End of Year				<u><u>\$ (963,613)</u></u>

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018**

	General Fund	Special Reserve for Capital Outlay Fund	* Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash in county treasury	\$ 21,292,388	\$ 3,864,110	\$ 2,734,164	\$ 27,890,662
Cash in revolving fund	5,000			5,000
Collections awaiting deposit	9,176		21,947	31,123
Accounts receivable	486,382	9,291	29,990	525,663
Due from other funds			3,635	3,635
Inventories			7,642	7,642
Prepaid expenditures	19,965		3,635	23,600
<b>Total Assets</b>	<b>\$ 21,812,911</b>	<b>\$ 3,873,401</b>	<b>\$ 2,801,013</b>	<b>\$ 28,487,325</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,075,223	\$ 7,972	\$ 4,405	\$ 2,087,600
Due to other funds	4,142			4,142
Unearned revenue	37,011		17,353	54,364
<b>Total Liabilities</b>	<b>2,116,376</b>	<b>7,972</b>	<b>21,758</b>	<b>2,146,106</b>
 <b>Fund Balances</b>				
Nonspendable	24,965		11,277	36,242
Restricted	365,647		2,710,546	3,076,193
Assigned	16,373,382	3,865,429	57,432	20,296,243
Unassigned	2,932,541			2,932,541
<b>Total Fund Balances</b>	<b>19,696,535</b>	<b>3,865,429</b>	<b>2,779,255</b>	<b>26,341,219</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,812,911</b>	<b>\$ 3,873,401</b>	<b>\$ 2,801,013</b>	<b>\$ 28,487,325</b>

\* See detail of individual funds on page 74

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

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

Total fund balances - governmental funds \$ 26,341,219

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 2,375,748	
Artwork	101,200	
Construction in progress	361,732	
Depreciable assets, net	<u>51,839,967</u>	54,678,647

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds	(33,909,693)	
Compensated absences	(318,993)	
Other postemployment benefits other than pensions (OPEB)	(10,274,538)	
Net pension liability	<u>(54,197,940)</u>	(98,701,164)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred charge on refunding	3,081,372	
Deferred outflows - OPEB	533,487	
Deferred outflows - pensions	16,722,686	
Deferred inflows - pensions	<u>(4,228,226)</u>	16,109,319

An internal service funds is used by the District to accumulate funds for the future liability for early retiree health benefits and to pay current costs. The assets and liabilities should be included with governmental activities. The fund consists of:

Assets		1,030,822
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Interest expense related to general obligation bonds payable was incurred but not accrued through June 30, 2018.		<u>(422,456)</u>
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Total net position - governmental activities		<u><u>\$ (963,613)</u></u>
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See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2018**

	General Fund	Special Reserve for Capital Outlay Fund	* Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local control funding formula sources	\$ 51,390,219	\$	\$	\$ 51,390,219
Federal sources	590,888		225,950	816,838
Other state sources	3,170,248		220,627	3,390,875
Other local sources	2,008,992	65,356	4,241,932	6,316,280
<b>Total Revenues</b>	<u>57,160,347</u>	<u>65,356</u>	<u>4,688,509</u>	<u>61,914,212</u>
<b>Expenditures</b>				
Instruction	30,805,836		980,927	31,786,763
Instruction - related services	6,729,264		281,889	7,011,153
Pupil services	4,717,222		1,029,399	5,746,621
Ancillary services	737,928			737,928
Community services	50,691		376,162	426,853
General administration	4,339,583			4,339,583
Plant services	6,985,322	858,470	49,246	7,893,038
Other outgo	781,802			781,802
Debt service			2,731,990	2,731,990
<b>Total Expenditures</b>	<u>55,147,648</u>	<u>858,470</u>	<u>5,449,613</u>	<u>61,455,731</u>
Excess (deficiency) of revenues over expenditures	<u>2,012,699</u>	<u>(793,114)</u>	<u>(761,104)</u>	<u>458,481</u>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in		1,755,000	517,219	2,272,219
Interfund transfers out	(2,806,213)			(2,806,213)
Insurance proceeds	27,492			27,492
<b>Total Other Financing Sources (Uses)</b>	<u>(2,778,721)</u>	<u>1,755,000</u>	<u>517,219</u>	<u>(506,502)</u>
Net changes in fund balance	(766,022)	961,886	(243,885)	(48,021)
<b>Fund Balances at Beginning of Year</b>	<u>20,462,557</u>	<u>2,903,543</u>	<u>3,023,140</u>	<u>26,389,240</u>
<b>Fund Balances at End of Year</b>	<u>\$ 19,696,535</u>	<u>\$ 3,865,429</u>	<u>\$ 2,779,255</u>	<u>\$ 26,341,219</u>

\* See detail of individual funds on page 75

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2018**

Net change in fund balances - total governmental funds \$ (48,021)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 1,817,338	
Depreciation expense	<u>(3,212,543)</u>	
Excess of depreciation over capital outlay		(1,395,205)

Governmental funds report the proceeds from the disposal of capital assets as revenue. In the statement of activities, only the resulting gain or loss is reported.

Disposal of capital assets		(467,752)
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The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. The net effect of these differences in treatment of general obligation bonds and related items is as follows:

General obligation bond principal payments	1,825,000	
Net change in premium on general obligation bonds	215,147	
Net change in deferred charges on general obligation bonds	<u>(233,593)</u>	
Total long-term debt payments		1,806,554

In governmental funds, pension costs are recognized when the employer contribution is made and OPEB costs when the benefit payment is made, but in the statement of activities, pension costs and OPEB costs are recognized on the accrual basis. The difference between accrual basis costs and actual contributions or payments is as follows:

Pension costs	(1,955,212)	
OPEB costs	<u>(113,990)</u>	(2,069,202)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Net increase in accrued interest	(29,117)	
Net increase in accreted interest	(464,755)	
Net decrease in compensated absences	<u>542</u>	(493,330)

An internal service fund is used by the District to accumulate funds for the future liability for early retiree health benefits. The net income of the internal service fund is reported with governmental activities.

11,475

Change in net position of governmental activities		<u>\$ (2,655,481)</u>
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See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2018**

		Governmental Activities: Internal Service Fund
		<u>Retiree Benefits Fund</u>
<b><u>Assets</u></b>		
Cash in county treasury	\$	1,027,888
Accounts receivable		2,427
Due from other funds		<u>507</u>
<b>Total Assets</b>		<u>1,030,822</u>
<b><u>Net Position</u></b>		
Restricted		<u>1,030,822</u>
<b>Total Net Position</b>	\$	<u><u>1,030,822</u></u>

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 For the Fiscal Year Ended June 30, 2018**

	Governmental Activities: Internal Service Fund
	<u>Retiree Benefits Fund</u>
<b>Operating Expenditures</b>	
Employee benefits	\$ 533,487
<b>Total Operating Expenditures</b>	<u>533,487</u>
 Net operating loss	 <u>(533,487)</u>
 <b>Non-Operating Revenues</b>	
Interest income	10,968
Interfund transfer in	<u>533,994</u>
<b>Total Non-Operating Revenues</b>	<u>544,962</u>
 Net income	 11,475
 <b>Net Position at Beginning of Year</b>	 <u>1,019,347</u>
 <b>Net Position at End of Year</b>	 <u>\$ 1,030,822</u>

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 For the Fiscal Year Ended June 30, 2018**

	Governmental Activities: Internal Service Fund
	<u>Retiree Benefits Fund</u>
<b>Cash Flows from Operating Activities</b>	
Cash paid for retiree benefit insurance	\$ (533,994)
Net cash used by operating activities	<u>(533,994)</u>
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>9,940</u>
Net cash provided used by investing activities	<u>9,940</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Transfer from General Fund	<u>533,994</u>
Net cash provided by capital and related financing activities	<u>533,994</u>
Net increase in cash	9,940
Cash - July 1, 2017	<u>1,017,948</u>
Cash - June 30, 2018	<u>\$ 1,027,888</u>

	Governmental Activities: Internal Service Fund
	<u>Retiree Benefits Fund</u>
<b>Reconciliation of operating loss to            net cash used by operating activities</b>	
<b>Operating Loss</b>	\$ (533,487)
<b>Adjustments to reconcile operating loss to cash flows used by operating activities:</b>	
(Increase) decrease in assets:	
Due from other funds	<u>(507)</u>
<b>Net cash used by operating activities</b>	<u>\$ (533,994)</u>
Cash balances at June 30, 2018 consisted of the following:	
Cash in county treasury	<u>\$ 1,027,888</u>
Total cash	<u>\$ 1,027,888</u>

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

	Foundation Private Purpose Trust Fund	Associated Student Body Funds
<b><u>Assets</u></b>		
Cash in county treasury	\$ 101,055	\$
Cash on hand and in banks		184,188
Accounts receivable	432	
Stores inventory		11,261
<b>Total Assets</b>	101,487	\$ 195,449
<b><u>Liabilities</u></b>		
Due to student groups		195,449
<b>Total Liabilities</b>	-	\$ 195,449
<b><u>Net Position</u></b>		
Restricted	101,487	
<b>Total Net Position</b>	\$ 101,487	

See accompanying notes to the financial statements.

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Fiscal Year Ended June 30, 2018**

	<u>Foundation Private Purpose Trust Fund</u>
<b>Additions</b>	
Revenue from local sources	\$ 1,425
<b>Total Additions</b>	<u>1,425</u>
<b>Deductions</b>	
Other expenses	<u>2,400</u>
<b>Total Deductions</b>	<u>2,400</u>
Changes in net position	(975)
<b>Net Position - Beginning of Year</b>	<u>102,462</u>
<b>Net Position - End of Year</b>	<u>\$ 101,487</u>

See accompanying notes to the financial statements.

## CARMEL UNIFIED SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2018

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

#### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

#### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

***Instruction:*** includes the activities directly dealing with the interaction between teachers and students.

***Instruction-Related Services:*** includes supervision of instruction, instructional library, media and technology, and school site administration.

***Pupil Services:*** includes home to school transportation, food services, and other pupil services.

***Ancillary Services:*** includes activities that are generally designed to provide students with experiences outside the regular school day.

***Community Services:*** includes activities that provide services to community participants other than students.

***General Administration:*** includes data processing services and all other general administration services.

***Plant Services:*** includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

***Other Outgo:*** includes transfers to other agencies.

***Debt Service:*** includes principal and interest payments for long term debt.

The proprietary and fiduciary fund expenses are presented by natural classification.

**Fund Accounting**

To ensure compliance with the California Education Code, the financial resources of the District

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

**Governmental Funds – Major**

**General Fund:** used to account for all financial resources except those required to be accounted for in another fund. The Adult Education and Deferred Maintenance Funds have been consolidated with the General Fund. These funds do not meet the definition of a special revenue fund as they are no longer primarily composed of restricted or committed revenue sources.

**Special Reserve for Capital Outlay:** used to account for specific board-approved capital expenditures

**Governmental Funds – Non-Major**

**Special Revenue Funds:** used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

*Child Development Fund: used to account for resources committed to child development programs.*

*Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's cafeterias.*

**Capital Projects Funds:** used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental fixed assets.

*Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.*

**Debt Service Funds:** used to account for the accumulation of financial resources for, the

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

payment of general long-term debt principal, interest, and related costs.

*Bond Interest and Redemption Fund: used to account for the payment of principal and interest on general obligation bonds.*

**Proprietary Fund**

**Internal Service Fund**

*Retiree Benefits Fund: used to account for retiree benefits health insurance costs as well as the District's contribution toward future benefit costs.*

**Fiduciary Funds**

*Foundation Private Purpose Trust Fund: any amounts earned above the principal amount of \$100,000 may be used for fine arts related purposes.*

*Associated Student Body Funds: used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body. The District operates two Associated Student Body funds.*

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

acquisition. Cash in the county treasury is recorded at cost, which approximates fair value.

**Receivables**

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

**Inventories**

Inventories are presented at the lower of cost or market on a weighted average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2018, the inventory in the Cafeteria Fund for food is \$7,642.

**Prepaid Expenses/Expenditures**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

**Capital Assets**

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description	Estimated Lives
Buildings and improvements	20-50 years
Equipment	5-15 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

**Deferred Charge on Refunding:** A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Deferred Outflows – OPEB:** The deferred outflows of resources related to OPEB benefits results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans and the effects of actuarially-determined changes to the OPEB plan. These amounts are deferred and amortized as detailed in Note 10 to the financial statements.

**Deferred Outflows – Pensions:** The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

**Unearned Revenue**

Cash received for federal and state special projects and other District programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Long-Term Obligations**

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Premiums and discounts on issued debt are deferred and amortized over the life of the bonds using straight-line method. Debt is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Net Pension Liability**

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

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

**Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

***Restricted:*** Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed:*** Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances as of June 30, 2018.

***Assigned:*** Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to Chief Business Official to assign amounts for a specific purpose that is neither restricted nor committed.

***Unassigned:*** The residual fund balance for the General Fund and all other spendable amounts.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Spending Order Policy**

The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

**Minimum Fund Balance Policy**

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses. In practice, the District maintains a General Fund reserve for economic uncertainty at 5% of budgeted General Fund expenditures and other financing uses. In addition, the District maintains a Basic Aid reserve at a recommended level of no less than 10% of annual General Fund expenditures to provide transitional funding in the event of the potentially catastrophic loss of basic aid funding. The District reviews its financial position annually to determine the incremental increase, if any, to the Basic Aid reserve. The District will endeavor to achieve a Basic Aid reserve equivalent to the differential between its Basic Aid revenues and the State's local control funding formula sources.

**State Apportionments**

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. Property taxes receivable for the General Fund or Debt Service purposes cannot be estimated because the information was not provided by the county auditor and have therefore not been accrued in the Government-wide financial statements.

**On-Behalf Payments**

Generally accepted accounting principles require that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

**Contributed Services**

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

**Classification of Revenues – Proprietary Funds**

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, federal and most state and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

**Estimates**

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

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

**Friends of Carmel Unified Schools:** a California non-profit Corporation and Public Education Foundation (established 1979); supports quality education within the Carmel Unified School District. The Foundation raises money for the purpose of providing grants and resources to benefit students, teachers, and the educational community as a whole.

**Carmel High School Foundation:** a California public benefit corporation (established 2004); supports academic excellence and the educational pursuits of its students through grants, fundraising and public campaigns. Their mission is to advance the educational experience of

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Carmel High School students by raising funds for student scholarships, special academic programs and other educational opportunities.

**Various PTA, PTO, Foundations and Booster Clubs:** Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO, Foundations, and the Booster Club individually are not significant to the District.

**NOTE 2: BUDGETS**

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District Board of Education during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

**NOTE 3: CASH AND CASH EQUIVALENTS**

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2018, none of the District's bank balance of \$255,728 was exposed to credit risk.

**Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Monterey County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. The fair value of the pooled investments at June 30, 2018 is measured at 99.7% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 3: CASH AND CASH EQUIVALENTS**

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53534, 53601, 53635, and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant’s equity withdrawn is based on the book value, which is amortized cost, of the participant’s percentage participation on the date of such withdrawals.

The pool sponsor’s annual financial report may be obtained from the Monterey County Treasurer – Tax Collector, 168 W. Alisal Street, 1<sup>st</sup> Floor, Salinas, CA 93901.

**NOTE 4: ACCOUNTS RECEIVABLE**

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

		Special Reserve for Capital Outlay	Other Governmental Funds	Total Governmental Funds	Self-Insurance Fund	Total Governmental Activities
<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Fund</u>	<u>Activities</u>
Federal and state	\$ 202,167	\$	\$ 29,213	\$ 231,380	\$	\$ 231,380
Miscellaneous	284,215	9,291	777	294,283	2,427	296,710
Total accounts receivable	<u>\$ 486,382</u>	<u>\$ 9,291</u>	<u>\$ 29,990</u>	<u>\$ 525,663</u>	<u>\$ 2,427</u>	<u>\$ 528,090</u>

	Fiduciary Fund Foundation
<u>Accounts Receivable</u>	
Federal and state	\$
Miscellaneous	432
Total accounts receivable	<u>\$ 432</u>

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

**Interfund Receivables/Payables**

Individual interfund receivable and payable balances at June 30, 2018 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$	\$ 4,142
Non-Major Governmental Funds:		
Cafeteria Fund	3,635	
Proprietary Funds:		
Self-Insurance Fund	507	
Total	\$ 4,142	\$ 4,142

**Interfund Transfers**

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

Interfund transfers for the fiscal year ended June 30, 2018 are as follows:

**CARMEL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**NOTE 5: INTERFUND TRANSACTIONS**

Transfer from the General Fund to the Adult Education Fund to support administrative functions	\$ 49,144
Transfer from the General Fund to the Child Development Fund for Board approved supplement of employee discounts and other program tuition differentials	249,534
Transfer from the General Fund to the Cafeteria Fund to support nutritional services for students	267,685
Transfer from the General Fund to the Deferred Maintenance Fund to support maintenance of district property	1,600,000
Transfer from the General Fund to the Special Reserve for Capital Outlay Fund to support capital improvements to district property and purchase of property	1,755,000
Transfer from the General Fund to the Retiree Benefits Fund to fund the District's contribution for retiree health benefits	<u>533,994</u>
Subtotal:	4,455,357
Intra-fund eliminations between the General Fund and the Adult Education and Deferred Maintenance Funds	<u>(1,649,144)</u>
Total:	<u><u>\$ 2,806,213</u></u>

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 6: FUND BALANCES**

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	General Fund	Special Reserve for Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Cash in revolving fund	\$ 5,000	\$	\$	\$ 5,000
Inventories			7,642	7,642
Prepaid expenditures	19,965		3,635	23,600
Total nonspendable	<u>24,965</u>	<u>-</u>	<u>11,277</u>	<u>36,242</u>
Restricted:				
Legally restricted programs	365,647		1,936	367,583
Capital projects			184,470	184,470
Debt service			2,524,140	2,524,140
Total restricted	<u>365,647</u>	<u>-</u>	<u>2,710,546</u>	<u>3,076,193</u>
Assigned:				
Basic aid reserve	9,774,201			9,774,201
Textbook adoptions	230,000			230,000
One-Time Board Approved Expenses	929,000			929,000
Vehicle replacement	601,097			601,097
Other postemployment benefits	870,000			870,000
School safety	600,000			600,000
Capital projects	1,755,000			1,755,000
Child development			57,432	57,432
Deferred maintenance projects	1,614,084			1,614,084
Assignment for Property Purchase		1,700,000		1,700,000
Assignment for District Capital Projects		2,165,429		2,165,429
	<u>16,373,382</u>	<u>3,865,429</u>	<u>57,432</u>	<u>20,296,243</u>
Unassigned:				
Economic uncertainties	2,932,541			2,932,541
Total unassigned	<u>2,932,541</u>	<u>-</u>	<u>-</u>	<u>2,932,541</u>
Total fund balance	<u>\$ 19,696,535</u>	<u>\$ 3,865,429</u>	<u>\$ 2,779,255</u>	<u>\$ 26,341,219</u>

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

Capital asset activity for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 2,375,748	\$	\$	\$ 2,375,748
Art collection		101,200		101,200
Construction in progress	1,128,082	994,745	1,761,095	361,732
Total capital assets not being depreciated	<u>3,503,830</u>	<u>1,095,945</u>	<u>1,761,095</u>	<u>2,838,680</u>
Capital assets being depreciated:				
Buildings and improvements	89,903,357	1,297,555		91,200,912
Equipment	4,292,596	721,393	107,796	4,906,193
Total capital assets being depreciated	<u>94,195,953</u>	<u>2,018,948</u>	<u>107,796</u>	<u>96,107,105</u>
Less accumulated depreciation for:				
Buildings and improvements	38,042,089	2,912,477		40,954,566
Equipment	3,116,090	300,066	103,584	3,312,572
Total accumulated depreciation	<u>41,158,179</u>	<u>3,212,543</u>	<u>103,584</u>	<u>44,267,138</u>
Depreciable assets, net	<u>53,037,774</u>	<u>(1,193,595)</u>	<u>4,212</u>	<u>51,839,967</u>
Governmental activities capital assets, net	<u>\$ 56,541,604</u>	<u>\$ (97,650)</u>	<u>\$ 1,765,307</u>	<u>\$ 54,678,647</u>

The construction in progress retirements includes \$463,540 of abandonments for previously capitalized planning costs for cancelled projects that will not be completed.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017 *	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General obligation bonds	\$ 28,853,446	\$	\$ 1,825,000	\$ 27,028,446	\$ 1,885,000
Accreted interest	3,702,656	464,755		4,167,411	
Premium on general obligation bonds	2,928,983		215,147	2,713,836	
Total general obligation bonds	35,485,085	464,755	2,040,147	33,909,693	1,885,000
Compensated absences	319,535	3,772	4,314	318,993	
Net OPEB liability	10,031,694	242,844		10,274,538	
Net pension liability	47,380,312	6,817,628		54,197,940	
Total	\$ 93,216,626	\$ 7,528,999	\$ 2,044,461	\$ 98,701,164	\$ 1,885,000

\* July 1, 2017 balances have been revised for the following:

The general obligation bonds and accreted interest balances have been reclassified to conform to the current year presentation. The OPEB liability has been restated by \$3,868,913 for the cumulative effect of the adoption of Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This includes the District's Postemployment Medical Benefits Plan and the Medicare Premium Payment Program. See Note 13.

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, net other postemployment benefits obligation, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

**NOTE 9: GENERAL OBLIGATION BONDS**

Bonds are payable solely from ad valorem property taxes levied and collected by the County of Monterey. The Board of Supervisors of the County has the power and is obligated to annually levy ad valorem taxes for the payment of interest and principal on the districts bonds.

**The Series 2000 and 2002 Bonds** were authorized at a special election of the registered voters of the District held on May 23<sup>rd</sup>, 2000, at which time more than two-thirds of the persons voting authorized the issuance and sale of bonds, not to exceed \$20,000,000, for the purpose of acquisition, construction, and renovation of school facilities.

On August 1<sup>st</sup>, 2000, the District issued \$10,335,000 in General Obligation Bonds, Series 2000. Outstanding balances were satisfied by the proceeds of the 2010 Refunding Bonds.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 9: GENERAL OBLIGATION BONDS**

On February 28<sup>th</sup>, 2002, the District issued \$9,663,455 in General Obligation Bonds, Series 2002 as Current Interest and Capital Appreciation Bonds. The Capital Appreciation Series 2002 Bonds accrete in value semiannually on February 1<sup>st</sup> and August 1<sup>st</sup> commencing August 1<sup>st</sup>, 2002.

**The Series 2006 and 2008 Bonds** were authorized at a special election of the registered voters of the District held on November 8<sup>th</sup>, 2005, at which 55% or more of the persons voting authorized the issuance and sale of bonds, not to exceed \$21,500,000 principal amount, to renovate, modernize, and construct school facilities for the District.

On June 14<sup>th</sup>, 2006, the District issued \$10,750,744 in General Obligation Bonds, Series 2006 as Current Interest and Capital Appreciation Bonds.

On July 10<sup>th</sup>, 2008, the District issued \$10,749,246 General Obligation Bonds, Series 2008 as Current Interest and Capital Appreciation Bonds. Each series of bonds accrete in value compounded semiannually on February 1<sup>st</sup> and August 1<sup>st</sup> of each year, commencing August 1, 2007 and February 1<sup>st</sup>, 2009 respectively.

**2010 Refunding:** On May 26<sup>th</sup>, 2010, the District offered for sale \$15,140,000 of general obligation refunding bonds under the provisions of Title 5, Division 2, Part 10, Chapter 1 of the State of California Education Code and pursuant to the County Resolution dated August 14<sup>th</sup>, 2001. The bonds were issued for the purpose of partially refunding the outstanding 2000 series. The proceeds associated with the refunding were deposited in an escrow account for future payment. In 2011-12, the 2000 series general obligation bonds were fully defeased by the escrow refunding agent.

**2016 Refunding** On October 20<sup>th</sup>, 2016, the District offered for sale \$17,755,000 of general obligation refunding bonds under provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State of California Government Code for the purpose of refunding portions of the outstanding Election of 2005, Series 2006, Election of 2005, Series 2008, and 2010 General Obligation Refunding Bonds, collectively the Refunded Bonds. The proceeds associated with the 2016 General Obligation Refunding Bonds were deposited to an escrow account for future payment and redemption of the Refunded Bonds and, as such, the Refunded Bonds are considered in-substance defeased. The outstanding balance of the Refunded Bonds was \$11,920,000 at June 30, 2018.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 9: GENERAL OBLIGATION BONDS**

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2018*</u>
Series:					
2002	2/28/2002	8/1/2026	3.50-6.00%	\$ 9,663,455	\$ 2,634,395
2006	6/14/2006	8/1/2030	4.00-5.00%	10,750,744	3,070,774
2008	7/10/2008	8/1/2033	4.00-5.00%	10,749,246	3,030,688
2010 Refunding	5/26/2010	8/1/2025	2.00-5.00%	15,140,000	5,220,000
2016 Refunding	10/20/2016	8/1/2032	2.00-4.00%	17,755,000	17,240,000
		Total		<u>\$ 64,058,445</u>	<u>\$ 31,195,857</u>

\* includes accreted interest through June 30, 2018.

The annual debt service requirements to maturity for general obligation bonds are as follows

<u>Year Ending June 30,</u>	<u>Current Interest Bond Principal</u>	<u>Capital Appreciation Bond Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2019	\$ 1,885,000	\$	\$	\$ 834,619	\$ 2,719,619
2020	2,060,000			764,000	2,824,000
2021	2,260,000			677,200	2,937,200
2022	2,455,000			578,675	3,033,675
2023	2,685,000			478,425	3,163,425
2024-2028	8,440,000	1,730,335	3,944,665	1,139,115	15,254,115
2029-2033	2,930,000	2,242,593	5,662,407	244,153	11,079,153
2034		340,518	1,939,482		2,280,000
Total	<u>\$ 22,715,000</u>	<u>\$ 4,313,446</u>	<u>\$ 11,546,554</u>	<u>\$ 4,716,187</u>	<u>\$ 43,291,187</u>

Capital appreciation bonds were issued as part of Series 2002 with maturity dates from August 1<sup>st</sup>, 2002 through 2026. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$1,098,455 and accreted interest accreted of \$1,535,939 totaling \$2,634,394 has been reflected in the long-term debt balance.

Capital appreciation bonds were issued as part of Series 2006 with maturity dates from August 1<sup>st</sup>, 2007 through 2030. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$1,650,744 and accreted interest accreted of \$1,420,030 totaling \$3,070,774 has been reflected in the long-term debt balance.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 9: GENERAL OBLIGATION BONDS**

Capital appreciation bonds were issued as part of Series 2008 with maturity dates from August 1<sup>st</sup>, 2010 through 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$1,564,247 and accreted interest accreted of \$1,211,441, totaling \$2,775,688 has been reflected in the long-term debt balance.

Proceeds received in excess of debt for both refundings are added to the maturity amount on the Statement of Net Position and amortized to interest expense over the life of the liability. The refunding bonds included a total premium of \$3,307,088. Amortization of \$215,147 was recognized during the year ended June 30, 2018.

For both refundings, the difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$3,858,264. Amortization of \$233,593 during the year ended June 30, 2018.

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

The District administers a single-employer defined benefit, post-employment medical benefit plan for qualified employees. In addition some qualified certificated employees are participant in the Medicare Premium Payment Program, a cost-sharing defined benefit program administered through the California State Teachers' Retirement System (CalSTRS).

As of June 30, 2018, the District's total liability for post-employment healthcare benefits consisted of the following:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Postemployment Medical Benefits Plan	\$ 9,672,926	\$ 533,487	\$ -	\$ 1,165,984
Medicare Premium Payment Program	601,612			(26,008)
Total	<u>\$ 10,274,538</u>	<u>\$ 533,487</u>	<u>\$ -</u>	<u>\$ 1,139,976</u>

The details of the plans are as follows:

**Postemployment Healthcare Benefits Plan**

**Plan Description and Eligibility**

The District offers medical, dental, and vision benefits to its employees and retirees. These

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

benefits are offered as a package through the Monterey County Schools Insurance Group (“MCSIG”) JPA. A three-tiered rate structure applies to active employees and retirees under the age of 65. The medical plan is a PPO option with no lifetime maximum benefits. Dental and vision benefits are provided through Delta Dental and Vision Service Plan. Retirees are covered to age 65, unless grandfathered to age 66 when hired prior to July 1, 2015. Qualifications for coverage require 5 to 10 consecutive years of service, depending on employee unit. Employees with a 0.75 FTE qualify for family coverage; otherwise, coverage is single or one dependent.

Participant Type:	Number of Participants
Inactive plan members or beneficiaries currently receiving benefit payments	45
Active plan members	337
Total	382

**Funding Policy**

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For the year ended June 30, 2018, the District contributed \$533,487 for retiree premium costs, which are recognized as deferred outflows for contributions made after the measurement date and will be recognized in the subsequent year. Total member contributions were \$77,368.

**Total OPEB Liability**

Net OPEB Liability	Balance June 30, 2018
Total OPEB liability	\$ 9,672,926

**Actuarial Methods and Assumptions**

*Actuarial assumptions*

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2017. The following actuarial assumptions used in the June 30, 2017 valuation, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age
Salary Increases	2.75%
Healthcare Costs Trend Rate	4.00%

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

Mortality assumptions are based on the 2009 CalSTRS Retiree and Active Mortality tables for Certificate employee types as applicable and 2014 CalPERS Retiree and Active Mortality tables for Miscellaneous Employees, as applicable for Classified Employee types. CalSTRS and CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. These table incorporates mortality projection as deemed appropriate based on CalSTRS and CalPERS analysis.

Actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience turnover tables 2009 CalSTRS Termination Rates and 2009 CalPERS Termination Rates for School Employees.

*Discount Rate*

The discount rate used to measure the OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate was based on the Bond Buyer 20 Bond Index. There are no plan assets.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 9,025,449
Changes for the year:	
Service cost	844,790
Interest	321,194
Changes in assumptions	
Benefit payments and employer contributions	(518,507)
Net changes	647,477
Balance at June 30, 2018	\$ 9,672,926

*Sensitivity*

The following present the District's OPEB liability calculated using the discount rate of 3.5% , as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 %) or 1 percentage point higher (4.5%) than the current rate:

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

Discount rate	Net OPEB Liability
1% decrease (2.5%)	\$ 10,425,321
Current discount rate (3.5%)	9,672,926
1% increase (4.50%)	9,012,874

The following present the District’s OPEB liability calculated using the healthcare cost trend rate of 4.0%, as well as what the OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower (3.0 %) or 1 percentage point higher (5.0%) then the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease (3.0%)	\$ 7,412,754
Current healthcare trend rate (4.0% )	9,672,926
1% increase (5.0%)	12,373,528

**Amortization of Deferred Outflows of Resources**

The deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

**Medicare Premium Payment Program (MPP)**

**Plan Description and Eligibility**

The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to California state statute. CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible California full-time and part-time public school teachers from pre-kindergarten through community college who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis. Medicare Part A premium rates for fiscal year 2016 -17 were \$411 for the period 7/1/16 through 12/13/16 and \$413 for the period January 1, 2017 through June 30, 2017. Part A and B late enrollment penalties are generally 10 percent of the respective monthly premiums rates; however, the fees charged to individual participants may be higher based on certain income thresholds.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program. For the years ending June 30, 2017 and 2016, 6,271 and 6,588 retirees participated in the MPP Program, respectively. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be pre-determined.

**Funding Policy**

The MPP Program is funded on a pay-as-you go basis from a portion of monthly employer contributions. In accordance with California Education Code, contributions that would otherwise be credited to the CalSTRS defined benefit pension program (STRP) each month are instead credited to the MPP Program to fund monthly program and administrative costs. These contributions are generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds remaining within the MPP Program as of June 30, 2017 were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program. Total aggregate employer contributions of all participating employers to the MPP Program for fiscal year 2016-17 were \$29.1 million.

Because amounts credited to the MPP Program are deducted from the employer's regular STRP contributions, there are no contribution rates specific to the MPP Plan. Employer contributions to the STRP are calculated by CalSTRS based on creditable compensation for active members reported by employers. Employer contributions are accrued when required by statute, and the employer has made a formal commitment to provide the contributions. Cash remittances of contributions due are received from employers prior to their reports of creditable earnings by member. As a result, CalSTRS accrues employer contributions due monthly using current contribution rates and estimates based on historical creditable compensation. CalSTRS recognizes MPP Program expenses when due and payable.

**Net OPEB Liability**

As of June 30, 2017, the District reported a net OPEB liability for its proportionate share of the MPP total OPEB liability, fiduciary net position and net OPEB liability as follows:

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

	Balance June 30, 2017
Proportionate Share of OPEB Liability	
Total OPEB liability	\$ 601,672
Plan fiduciary net position	(59)
District's net OPEB liability	\$ 601,613

Given the nature of the MPP Program, not all employers have eligible participants. The program is also closed to any members retired after July 1, 2012. As such, the District elected to calculate their proportionate share based on Schedule D of the audited proportionate share schedules of the MPP Program. This schedule presents current year Medicare Part A premiums and Medicare Part A and B surcharges paid or payable to the Centers for Medicare and Medicaid Services (CMS). Medicare premiums and surcharges paid or payable to CMS are aggregated for eligible program beneficiaries based on their last contributing employer prior to retirement to establish the basis of the proportionate share calculation. At June 30, 2017, the District's proportion was 0.143%.

*Actuarial assumptions*

The June 30, 2017 total OPEB liability for the MPP Program was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Experience Study	July 1, 2010 through June 30, 2015
Investment Rate of Return	3.58%
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (for example, Medicare premiums) and assumptions about the probability of occurrence of events far into the future (for example, mortality, disabilities and retirees eligible for the program). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective and take into account the premiums and surcharges paid after termination of employment until the death of the employee. In many cases, actuarial calculations reflect several decades of payments after termination of employment.

*Discount Rate*

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

*Sensitivity*

The following table presents the net OPEB liability of employers as of June 30, 2017, using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS**

Discount rate	Net OPEB Liability
1% decrease (2.58%)	\$ 538,955
Current discount rate (3.58%)	601,612
1% increase (4.58%)	658,998

*Medicare Costs Trend Rate*

The June 30, 2016, valuation uses the 2017 Medicare Part A and Part B premiums as the basis for future premium calculations. Future premiums are assumed to increase with a medical trend rate that varies by year. The Part A trend is approximately equivalent to assuming a fixed 3.7 percent increase each year. The Part B trend is approximately equivalent to assuming a fixed 4.1 percent increase each year.

The following table presents as of June 30, 2017, the net OPEB liability of employers using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are 1 percent lower and 1 percent higher than the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease (2.7% Part A, 3.1% Part B)	\$ 543,649
Current healthcare trend rate (3.7% Part A, 4.1% Part B)	601,612
1% increase (4.7% Part A, 5.1% Part B)	658,998

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources are the consumption of net position by CalSTRS that is applicable to future reporting periods. As the MPP Program is a retiree only OPEB plan with no average remaining service life, other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in OPEB expense in the current period. The net deferred inflows and outflows relating to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. As of June 30, 2017, the deferred outflows of resources and deferred inflows of resources related to the MPP Program are not material and have not been recognized in these financial statements.

**MPP Program Net OPEB Liability**

Detailed information about the MPP Program net OPEB liability is available in a separate financial report available on the CalSTRS website. Copies of the CalSTRS annual financial report may also be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

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

As of June 30, 2018, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 37,916,800	\$ 11,765,743	\$ 3,910,587	\$ 3,702,756
CalPERS (Schools Pool Plan)	16,281,140	4,956,943	317,639	2,894,094
Total	\$ 54,197,940	\$ 16,722,686	\$ 4,228,226	\$ 6,596,850

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
	<u>On or Before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

**Contributions**

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were \$3,352,531.

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

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

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

	Balance
	June 30, 2018
<u>Proportionate Share of Net Pension Liability</u>	
District proportionate share of net pension liability	\$ 37,916,800
State's proportionate share of the net pension liability associated with the District	22,431,441
Total	<u>\$ 60,348,241</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.0410%.

For the year ended June 30, 2018, the District recognized pension expense of \$3,702,756. In addition, the District recognized revenue and corresponding expense of \$2,257,940 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Pension Deferred Outflows and Inflows of Resources</u>		
Pension contributions subsequent to measurement date	\$ 3,352,531	\$ -
Differences between expected and actual experience	140,220	661,330
Changes of assumptions	7,024,530	-
Changes in proportion	1,248,462	2,239,427
Net differences between projected and actual earnings on pension plan investments	-	1,009,830
Total	<u>\$ 11,765,743</u>	<u>\$ 3,910,587</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	\$ 93,040
2020	1,567,810
2021	1,024,151
2022	35,367
2023	697,310
2024	1,084,947
Total	\$ 4,502,625

**Actuarial Methods and Assumptions**

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

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

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 and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Fixed income	12%	0.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	\$ 55,673,900
Current discount rate (7.10%)	37,916,800
1% increase (8.10%)	23,505,710

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

**Changes of Assumptions**

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

<u>Assumptions:</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

**Plan Fiduciary Net Position**

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were \$1,395,357.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$16,281,140. The net pension liability was measured as of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District’s proportion was 0.0682%.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

For the year ended June 30, 2018, the District recognized pension expense of \$2,894,094. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,395,357	\$ -
Differences between expected and actual experience	583,286	-
Changes of assumptions	2,378,117	191,690
Changes in proportion	36,967	125,949
Net differences between projected and actual earnings on pension plan investments	563,216	-
Total	\$ 4,956,943	\$ 317,639

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2017 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2019	\$ 864,069
2020	1,555,518
2021	1,132,776
2022	(308,416)
Total	\$ 3,243,947

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

**Actuarial Methods and Assumptions**

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

Actuarial Methods and Assumptions

---

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 23,954,774
Current discount rate (7.15%)	16,281,140
1% increase (8.15%)	9,915,218

**Changes of Assumptions**

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 11: EMPLOYEE RETIREMENT PLANS**

**Plan Fiduciary Net Position**

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**NOTE 12: PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES**

The District is a member of the Monterey and San Benito Counties Liability and Property Joint Powers Authority (MSBCLPJA), the Monterey County Schools Insurance Group (MCSIG), the Monterey Educational Risk Management Authority (MERMA) public entity risk pools, and Community Human Services.

For property and liability and workers' compensation insurance, they are organized on a county basis, but not all districts in the County are members.

The District elected to become a member of MCSIG effective July 1<sup>st</sup>, 2006. The District makes monthly payments to MCSIG based on the level of employee participation, annual contribution rates set by MCSIG, and in accordance with collective bargaining agreements. The JPAs arrange for and provide the respective types of insurance. Each member District pays a premium commensurate with the level of coverage requested and experience modifier. In the property and liability JPA, each member is responsible for their claims up to a maximum of \$50,000 for liability and \$50,000 for property. The member's share of claim costs is added to their premiums.

The Community Human Services is a California not-for-profit corporation exempt from taxation under IRS Code Section 501(c)(3) and a Joint Powers Agency. The board of Directors is made up of representatives from local governmental entities comprising the JPA. The Agency, through contracts with government agencies, private grants and donations and client charges and fees, provides a variety of services including outpatient counseling and therapy for people with drug or alcohol problems, and in-house recovery center for addicted persons, and other counseling and educational programs.

Each JPA is governed by a board consisting of a representative from each member District. Each board controls the operations of its JPA independent from any influence by the members beyond their representation on the governing boards.

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

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

**NOTE 12: PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES**

The District has appointed one board member and one alternative to each of the governing boards of MSBCLPJA, MERMA, MCSIG and Community Human Services JPAs.

During the year ended June 30, 2018, the District made payments of \$252,756 to MSBCLPJA for liability and property insurance, \$639,909 to MERMA for workers' compensation insurance, and \$6,572,519 to MCSIG representing payment of premiums for health-related coverage.

Condensed financial information for the year ended June 30, 2018 is as follows:

	MSBCLPJA (Audited)	MERMA (Audited)	MCSIG (Audited)	Community Human Services (Audited)
<u>JPA Condensed Financial Information</u>	<u>June 30,2017</u>	<u>June 30,2017</u>	<u>June 30,2017</u>	<u>June 30, 2017</u>
Total assets	\$ 2,109,778	\$ 45,921,525	\$ 21,853,534	\$ 8,451,254
Total liabilities	1,531,114	26,473,798	17,612,125	6,135,664
Fund balance	578,664	19,561,847	4,241,409	2,315,590
Total revenues	4,950,481	10,304,287	83,759,202	5,205,183
Total expenditures	4,888,249	8,517,323	92,829,337	5,293,363

**NOTE 13: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

The beginning net position of the basic financial statements has been restated by a reduction of \$3,464,280 in the Statement of Activities to adjust the beginning balance of the OPEB liability, net of beginning deferred outflows, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

**Litigation**

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any

**CARMEL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

required reimbursement will not be material.

**Purchase Commitments**

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$216,000. Projects will be funded through General Funds.

**Option Purchase Agreement**

On July 26, 2018 the district paid the second payment on an option agreement to purchase property adjacent to the district office/middle school property that has been vacant for many years. The purchase price of the property is \$1,500,000, to be reduced by the \$75,000 nonrefundable option payment. The option will remain open through December 28, 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2018**

	Budgetary Amounts - General		Actual Amounts Fund	(a) Fund Basis to GAAP	Actual Amounts GAAP Basis
	Fund				
	Original	Final			
<b>Revenues</b>					
Local control funding formula sources	\$ 50,936,468	\$ 51,300,188	\$ 51,390,219	\$	\$ 51,390,219
Federal sources	628,884	589,207	590,888		590,888
Other state sources	2,702,707	3,116,657	3,108,501	61,747	3,170,248
Other local sources	1,375,013	1,845,930	1,930,142	78,850	2,008,992
<b>Total Revenues</b>	<u>55,643,072</u>	<u>56,851,982</u>	<u>57,019,750</u>	<u>140,597</u>	<u>57,160,347</u>
<b>Expenditures</b>					
Certificated salaries	22,997,012	23,219,309	23,029,698	100,749	23,130,447
Classified salaries	8,975,872	9,421,892	9,154,521	24,685	9,179,206
Employee benefits	13,665,333	13,149,674	12,656,057	44,108	12,700,165
Books and supplies	3,001,667	2,977,533	2,571,721	15,014	2,586,735
Services and other operating expenditures	4,937,442	5,730,290	5,241,782	682,448	5,924,230
Capital outlay	244,628	785,372	759,875	85,188	845,063
Other outgo	609,398	904,730	781,802		781,802
<b>Total Expenditures</b>	<u>54,431,352</u>	<u>56,188,800</u>	<u>54,195,456</u>	<u>952,192</u>	<u>55,147,648</u>
Excess (deficiency) of revenues over expenditures	<u>1,211,720</u>	<u>663,182</u>	<u>2,824,294</u>	<u>(811,595)</u>	<u>2,012,699</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in				1,649,144	1,649,144
Interfund transfers out	(1,326,987)	(4,598,243)	(4,455,357)		(4,455,357)
Insurance proceeds		27,492	27,492		27,492
<b>Total Other Financing Sources (Uses)</b>	<u>(1,326,987)</u>	<u>(4,570,751)</u>	<u>(4,427,865)</u>	<u>1,649,144</u>	<u>(2,778,721)</u>
Net change in fund balances	<u>\$ (115,267)</u>	<u>\$ (3,907,569)</u>	(1,603,571)	837,549	(766,022)
<b>Fund Balance - Beginning of Year</b>			<u>19,660,735</u>	<u>801,822</u>	<u>20,462,557</u>
<b>Fund Balance - End of Year</b>			<u>\$ 18,057,164</u>	<u>\$ 1,639,371</u>	<u>\$ 19,696,535</u>

(a) amounts presented are the result of the District including activity of the Adult Education and Deferred Maintenance funds.

See the accompanying notes to the required supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED  
RATIOS – POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN  
For the Fiscal Year Ended June 30, 2018**

<b>Total OPEB Liability</b>	<b>2018</b>
Service Cost	\$ 844,790
Interest	321,194
Benefit Payments	<u>(518,507)</u>
Net Change in Total OPEB Liability	647,477
Total OPEB Liability - beginning	<u>9,025,449</u>
Total OPEB Liability - ending	<u><u>\$ 9,672,926</u></u>
Covered payroll	\$ 30,226,640
Total OPEB liability as a percentage of covered-employee payroll	32.00%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
– MEDICARE PREMIUM PAYMENT PLAN  
For the Fiscal Year Ended June 30, 2018**

<b>Total OPEB Liability - Medicare Premium Payment Program</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.143%
District's proportionate share of the net OPEB liability	601,612
Total	
Covered-employee payroll	-
Net OPEB liability (asset) as a percentage of covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

Notes:

Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

For the Medicare Premium Payment Program, plan participants are limited to retirees; therefore covered-employee payroll is not applicable.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Fiscal Year Ended June 30, 2018**

State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability	0.0420%	0.0450%	0.0420%	0.0410%
District's proportionate share of the net pension liability	\$ 24,543,540	\$ 30,295,800	\$ 33,970,020	\$ 37,916,800
State's proportionate share of the net pension liability associated with the District	<u>14,820,598</u>	<u>16,023,096</u>	<u>19,341,374</u>	<u>22,431,441</u>
Total	<u>\$ 39,364,138</u>	<u>\$ 46,318,896</u>	<u>\$ 53,311,394</u>	<u>\$ 60,348,241</u>
District's covered payroll	\$ 19,500,000	\$ 19,880,000	\$ 21,300,000	\$ 22,500,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	126%	152%	159%	169%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

**For the Fiscal Year Ended June 30, 2018**

California Public Employees' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability	0.0698%	0.0688%	0.0679%	0.0682%
District's proportionate share of the net pension liability	<u>\$ 7,924,000</u>	<u>\$ 10,229,629</u>	<u>\$ 13,410,292</u>	<u>\$ 16,281,140</u>
District's covered payroll	\$ 7,300,000	\$ 7,700,000	\$ 8,200,000	\$ 8,700,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	109%	133%	164%	187%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**For the Fiscal Year Ended June 30, 2018**

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,765,866	\$ 2,283,231	\$ 2,841,414	\$ 3,352,531
Contributions in relation to the contractually required contributions	<u>1,765,866</u>	<u>2,283,231</u>	<u>2,841,414</u>	<u>3,352,531</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 19,880,000	 \$ 21,300,000	 \$ 22,500,000	 \$ 23,200,000
Contributions as a percentage of its covered payroll	8.88%	10.73%	12.58%	14.43%
 <u>California Public Employees' Retirement Plan</u>	 <u>2015</u>	 <u>2016</u>	 <u>2017</u>	 <u>2018</u>
Contractually required contribution	\$ 904,438	\$ 965,841	\$ 1,208,665	\$ 1,395,357
Contributions in relation to the contractually required contributions	<u>904,438</u>	<u>965,841</u>	<u>1,208,665</u>	<u>1,395,357</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 7,700,000	 \$ 8,200,000	 \$ 8,700,000	 \$ 9,000,000
Contributions as a percentage of its covered payroll	11.77%	11.85%	13.89%	15.53%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Budgetary Comparison For The General Fund**

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

**Schedule of Changes in the Total OPEB Liability and Related Ratios – Postemployment Healthcare Benefits Plan**

The schedule is intended to show trends about the changes in the District's actuarially determined liability for the postemployment healthcare benefits plan.

Benefit changes – None

Changes of Assumptions - The discount rate and expected rate of return on assets was changed from 4.0% to 3.5%. The healthcare cost trend rate was changed from a range of 6 to 8% to 4%.

**Schedule of Changes in the Net OPEB Liability and Related Ratios – Medicare Premium Payment Plan**

The schedule is intended to show trends about the changes in the District's actuarially determined liability for the Medicare Premium Payment plan.

Benefit changes – None

Changes of Assumptions – As described in Note 10 to the financial statements.

**Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool Plan)**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

**Schedule of District Contributions – CalSTRS (STRP) and CalPERS (Schools Pool Plan)**

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2018**

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were no excesses of expenditures over appropriations, by major object accounts, in the general fund.

**SUPPLEMENTARY INFORMATION**

# CARMEL UNIFIED SCHOOL DISTRICT

## HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2018

Carmel Unified School District was established on July 1<sup>st</sup>, 1939 and is comprised of 594 square miles. There are four distinctive population centers within the boundaries of the District: Carmel-by-the-Sea, Carmel Valley, Pebble Beach, and Big Sur. The District operates three elementary schools, one middle school, one high school, one alternative high school, and a regional occupational program on the traditional August through June schedule. The District also operates two pre-schools and an adult education program on an extended year basis.

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

### **BOARD OF EDUCATION**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Annette Yee-Steck	Board President	December 2020
Karl Pallastrini	Board Clerk	December 2020
John Ellison	Board Member	December 2018
Rita Patel	Board Member	December 2020
Mark Stilwell	Board Member	December 2018

### **DISTRICT ADMINISTRATORS**

Barbara Dill-Varga, Ed.D.	Superintendent
Rick Blanckmeister	Chief Business Official
Suzie DePrez, Ed.D.	Chief Academic Officer
Paul Behan	Chief Technology Officer
Ken Griest	Chief Human Resource Officer
Casey O'Brien	Chief Student Services Officer

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2018**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2018 are as follows:

	Revised	
	<u>Second Period</u>	<u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	<u>594</u>	<u>594</u>
Total grades transitional kindergarten through third ADA	<u>594</u>	<u>594</u>
Grades four through six:		
Regular ADA	561	562
Special Education - Nonpublic, Nonsectarian Schools	<u>1</u>	<u>1</u>
Total grades four through six ADA	<u>562</u>	<u>563</u>
Grades seven and eight:		
Regular ADA	<u>373</u>	<u>374</u>
Total grades seven and eight ADA	<u>373</u>	<u>374</u>
Grades nine through twelve:		
Regular ADA	<u>838</u>	<u>831</u>
Total grades nine through twelve ADA	<u>838</u>	<u>831</u>
Total ADA	<u><u>2,367</u></u>	<u><u>2,362</u></u>

See the accompanying notes to the supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2018**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	53,080	180	In Compliance
Grade 1	50,400	55,725	180	In Compliance
Grade 2	50,400	55,725	180	In Compliance
Grade 3	50,400	55,725	180	In Compliance
Grade 4	54,000	55,725	180	In Compliance
Grade 5	54,000	55,725	180	In Compliance
Grade 6	54,000	55,725	180	In Compliance
Grade 7	54,000	55,725	180	In Compliance
Grade 8	54,000	55,725	180	In Compliance
Grade 9	64,800	66,340	180	In Compliance
Grade 10	64,800	66,340	180	In Compliance
Grade 11	64,800	66,340	180	In Compliance
Grade 12	64,800	66,340	180	In Compliance

See the accompanying notes to the supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2018**

Program Name	Pass-Through		Total Program Expenditures
	Federal Catalog Number	Entity Identifying Number	
<b>United States Department of Agriculture</b>			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	\$ 138,792
Especially Needy Breakfast Program	10.553	13390	64,238
Meal Supplement	10.555	(1)	4,143
Commodities	10.555	(1)	<u>18,777</u>
Total: Child Nutrition Cluster			<u>225,950</u>
Total: United States Department of Agriculture			<u>225,950</u>
<b>United States Department of Education</b>			
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
Special Education - IDEA Basic Local Assistance Entitlement	84.027	13379	<u>288,694</u>
Total: Special Education Cluster			288,694
Every Student Succeeds Act:			
Title I - Basic Grants	84.010	14329	218,548
Title II - Improving Teacher Quality	84.367	14341	48,233
Vocational Programs	84.048	14894	<u>9,521</u>
Total: United States Department of Education			<u>564,996</u>
<b>United States Department of Health and Human Services</b>			
Pass-Through Program From California Department of Education:			
Medi-Cal Billing Option	93.778	10060	<u>25,892</u>
Total: United States Department of Health and Human Services			<u>25,892</u>
<b>Total Federal Programs</b>			<u><u>\$ 816,838</u></u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$18,777 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Fiscal Year Ended June 30,**

	<u>2019 (Budgeted)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total revenues	\$ 58,422,981	\$ 57,019,750	\$ 54,538,310	\$ 52,677,532
Total expenditures	(58,103,892)	(54,195,456)	(52,022,315)	(48,081,412)
Total other sources and uses	<u>(1,287,870)</u>	<u>(4,427,865)</u>	<u>(1,579,497)</u>	<u>(1,200,615)</u>
Change in fund balance	(968,781)	(1,603,571)	936,498	3,395,505
Ending fund balance	<u>\$ 17,088,383</u>	<u>\$ 18,057,164</u>	<u>\$ 19,660,735</u>	<u>\$ 18,724,237</u>
Available reserve	<u>\$ 2,969,840</u>	<u>\$ 2,932,541</u>	<u>\$ 2,699,585</u>	<u>\$ 2,471,382</u>
Available reserve %	5.0%	5.0%	5.0%	5.0%
ADA	<u>2,368</u>	<u>2,367</u>	<u>2,402</u>	<u>2,410</u>
Total long term debt	<u>\$ 42,618,224</u>	<u>\$ 44,503,224</u>	<u>\$ 45,836,314</u>	<u>\$ 41,382,647</u>

The amounts above are those reported as General Fund in the Annual Financial and Budget Report and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2018, the District has met this requirement.

All percentages are of total expenditures.

Long-term debt is reported for the district as a whole and includes debt related to all funds, excluding the net pension liability.

The long-term debt balance for June 30, 2017 has been revised to reflect the cumulative effect of a change in accounting principle related to the net OPEB liability. See Note 13.

The 2019 budget is the original budget adopted in June 2018.

See the accompanying notes to the supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2018**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT  
WITH THE AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

There were no differences between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

## CARMEL UNIFIED SCHOOL DISTRICT

### NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2018

#### **NOTE 1: PURPOSE OF SCHEDULES**

##### **Schedule of Average Daily Attendance (ADA)**

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.

##### **Schedule of Instructional Time**

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

##### **Schedule of Expenditures of Federal Awards**

###### **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

###### **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Financial Trends and Analysis**

The *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if the District has met the recommended available reserve percentages.

**Schedule of Charter Schools**

The *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

**OPTIONAL SUPPLEMENTARY INFORMATION**

**CARMEL UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2018**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non- Major Governmental Funds
<b><u>Assets</u></b>					
Cash in county treasury	\$ 77,783	\$ (51,452)	\$ 183,693	\$ 2,524,140	\$ 2,734,164
Collections awaiting deposit		21,947			21,947
Accounts receivable		29,213	777		29,990
Due from other funds		3,635			3,635
Inventories		7,642			7,642
Prepaid expenditures		3,635			3,635
<b>Total Assets</b>	<b><u>\$ 77,783</u></b>	<b><u>\$ 14,620</u></b>	<b><u>\$ 184,470</u></b>	<b><u>\$ 2,524,140</u></b>	<b><u>\$ 2,801,013</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,062	\$ 3,343	\$	\$	\$ 4,405
Unearned revenue	17,353				17,353
<b>Total Liabilities</b>	<b><u>18,415</u></b>	<b><u>3,343</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>21,758</u></b>
<b>Fund Balances</b>					
Nonspendable		11,277			11,277
Restricted	1,936		184,470	2,524,140	2,710,546
Assigned	57,432				57,432
<b>Total Fund Balances</b>	<b><u>59,368</u></b>	<b><u>11,277</u></b>	<b><u>184,470</u></b>	<b><u>2,524,140</u></b>	<b><u>2,779,255</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 77,783</u></b>	<b><u>\$ 14,620</u></b>	<b><u>\$ 184,470</u></b>	<b><u>\$ 2,524,140</u></b>	<b><u>\$ 2,801,013</u></b>

See accompanying notes to the optional supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE**

**NON-MAJOR GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2018**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non- Major Governmental Funds
<b>Revenues</b>					
Federal sources	\$	\$ 225,950	\$	\$	\$ 225,950
Other state sources	200,423	15,366		4,838	220,627
Other local sources	<u>1,201,096</u>	<u>482,292</u>	<u>93,043</u>	<u>2,465,501</u>	<u>4,241,932</u>
<b>Total Revenues</b>	<u>1,401,519</u>	<u>723,608</u>	<u>93,043</u>	<u>2,470,339</u>	<u>4,688,509</u>
<b>Expenditures</b>					
Instruction	980,927				980,927
Instruction - related services	281,889				281,889
Pupil services	39,496	989,903			1,029,399
Community services	376,162				376,162
Plant services			49,246		49,246
Debt service				<u>2,731,990</u>	<u>2,731,990</u>
<b>Total Expenditures</b>	<u>1,678,474</u>	<u>989,903</u>	<u>49,246</u>	<u>2,731,990</u>	<u>5,449,613</u>
Excess (deficiency) of revenues over expenditures	<u>(276,955)</u>	<u>(266,295)</u>	<u>43,797</u>	<u>(261,651)</u>	<u>(761,104)</u>
<b>Other Financing Sources</b>					
Interfund transfers in	<u>249,534</u>	<u>267,685</u>			<u>517,219</u>
<b>Total Other Financing Sources</b>	<u>249,534</u>	<u>267,685</u>	<u>-</u>	<u>-</u>	<u>517,219</u>
Net changes in fund balance	(27,421)	1,390	43,797	(261,651)	(243,885)
<b>Fund Balances at Beginning of Year</b>	<u>86,789</u>	<u>9,887</u>	<u>140,673</u>	<u>2,785,791</u>	<u>3,023,140</u>
<b>Fund Balances at End of Year</b>	<u>\$ 59,368</u>	<u>\$ 11,277</u>	<u>\$ 184,470</u>	<u>\$ 2,524,140</u>	<u>\$ 2,779,255</u>

See accompanying notes to the optional supplementary information.

**CARMEL UNIFIED SCHOOL DISTRICT**

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2018**

**NOTE 1: PURPOSE OF SCHEDULES**

**Combining Fund Financial Statements**

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements

**OTHER INDEPENDENT AUDITORS' REPORTS**



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

Board of Education  
Carmel Unified School District  
Carmel, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carmel Unified School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2018.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2018

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

Board of Education  
Carmel Unified School District  
Carmel, California

**Report on Compliance for Each Major Federal Program**

We have audited Carmel Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control Over Compliance**

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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, 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.

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

**Purpose of this Report**

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.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2018

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education  
Carmel Unified School District  
Carmel, California

We have audited the Carmel Unified School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified below.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

### Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No <sup>1</sup>
Continuation Education	No <sup>1</sup>
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	No <sup>2</sup>
Mode of Instruction	No <sup>2</sup>
Nonclassroom Based Instruction/Independent Study	No <sup>2</sup>
Determination of Funding for Nonclassroom Based Instruction	No <sup>2</sup>
Annual Instructional Minutes – Classroom Based	No <sup>2</sup>
Charter School Facility Grant Program	No <sup>2</sup>

<sup>1</sup>We did not perform testing for independent study or continuation education because the independent study and continuation education ADA were under the level which requires testing.

<sup>2</sup>The District is not the granting agency for any Charter Schools.

# INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

## **Opinion on State Compliance**

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, California  
November 28, 2018

## **FINDINGS AND QUESTIONED COSTS**

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS  
June 30, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major federal awards:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None Reported

Type of auditors’ report issued on compliance for major federal 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 Federal Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?   X   Yes        No

**CARMEL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

All audit findings must be identified as one or more of the following twelve categories:

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

**FINANCIAL STATEMENT FINDINGS**

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

**CARMEL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2018**

**FEDERAL AWARDS FINDINGS**

There were no findings and questioned costs related to federal awards for June 30, 2018.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO STATE AWARDS**

**June 30, 2018**

**STATE COMPLIANCE FINDINGS**

**2018-001      Unduplicated Local Control Funding Formula Pupil Counts      40000**

**Criteria:** Education Code section 42238.02(b)(2) requires a school district or charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students in the categories as identified above.

**Condition:** One student was included in the Unduplicated Pupil Count as FRPM Eligible in error. The student was “Paid” status for the NSLP program, but was indicated as “Free” status in CalPADS.

**Context:** One error was noted in the original sample of forty-eight students. The district performed a review of their CalPADS database, noting no other errors. We tested an additional twelve students, for a total sample of sixty, noting no additional errors.

**Effect:** The District was not in compliance with Education Code section 42238.02(b)(2). The 1.17 and 1.18 reports contained errors as follows:

**CARMEL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO STATE AWARDS**  
**June 30, 2018**

**2018-001      Unduplicated Local Control Funding Formula Pupil Counts      40000**

<b>School Name</b>	<b>Enrollment Count as Reported in the CalPADS System</b>	<b>Unduplicated FRPM Eligible</b>	<b>Unduplicated English Learner (EL) Eligible</b>	<b>Total Unduplicated Pupil Count</b>
<b>Captain Cooper Elementary</b>				
As reported	60	46	46	49
Audit adjustments	-	-	-	-
Adjusted	60	46	46	49
<b>Carmel Child Development Center</b>				
As reported	16	1	1	1
Audit adjustments	-	-	-	-
Adjusted	16	1	1	1
<b>Carmel High</b>				
As reported	867	135	145	149
Audit adjustments	-	-	-	-
Adjusted	867	135	145	149
<b>Carmel Middle</b>				
As reported	589	89	93	99
Audit adjustments	-	-	-	-
Adjusted	589	89	93	99
<b>Carmel River Elementary</b>				
As reported	457	43	46	64
Audit adjustments	-	-	-	-
Adjusted	457	43	46	64
<b>Carmel Valley High</b>				
As reported	19	6	6	6
Audit adjustments	-	-	-	-
Adjusted	19	6	6	6
<b>Tularcitos Elementary</b>				
As reported	482	91	95	103
Audit adjustments	-	(1)	-	(1)
Adjusted	482	90	95	102
<b>Total</b>				
As reported	2,490	411	432	471
Audit adjustments	-	(1)	-	(1)
Adjusted	2,490	410	432	470

**Cause:** A reconciliation between data in the cafeteria system, Nutrikids; the attendance system, Aeries; and the CalPADS database was not performed before certifying the 1.17 report.

**CARMEL UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO STATE AWARDS**

**June 30, 2018**

**2018-001      Unduplicated Local Control Funding Formula Pupil Counts      40000**

**Questioned Costs and Units:** One out of a total unduplicated pupil count of 471 students was improperly reported, resulting in an estimated penalty of \$167, as calculated through the California Department of Education’s Audit Finding Calculator. However, the actual adjustment in State Aid may be different due to local revenue (school districts), in-lieu of property taxes (charter schools), and/or Minimum State Aid Guarantee.

**Recommendation:** We recommend the District implement additional review procedures to ensure that errors are prevented in future CalPADS reporting.

**Corrective Action Plan:** The district will be performing three data audits before submitting the unduplicated counts for the certified 1.17 report to ensure the accuracy of the data submitted.

1. Check data in Nutrikids to be sure students have passed verification and all records are accurate.(October 15 - November 15)
2. Compare data in Aeries and Nutrikids and reconcile as needed to ensure it matches. (Nov 15-Nov 29)
3. Verify that data in CALPADS matches both Nutrikids and Aeries before certifying the 1.17 report. (Nov 20-21)

**CARMEL UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
June 30, 2018**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.