

# ORLAND UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

June 30, 2018

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**ORLAND UNIFIED SCHOOL DISTRICT**  
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**JUNE 30, 2018**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

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

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

### *Auditor's Responsibility*

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

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

Christy White, CPA

Michael D. Ash, CPA

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Heather Daud Rubio

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*State Board of Accountancy*

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orland Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 1 and 10 to the financial statements, in 2018 Orland Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of Orland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orland Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orland Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 12, 2018

# ORLAND UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

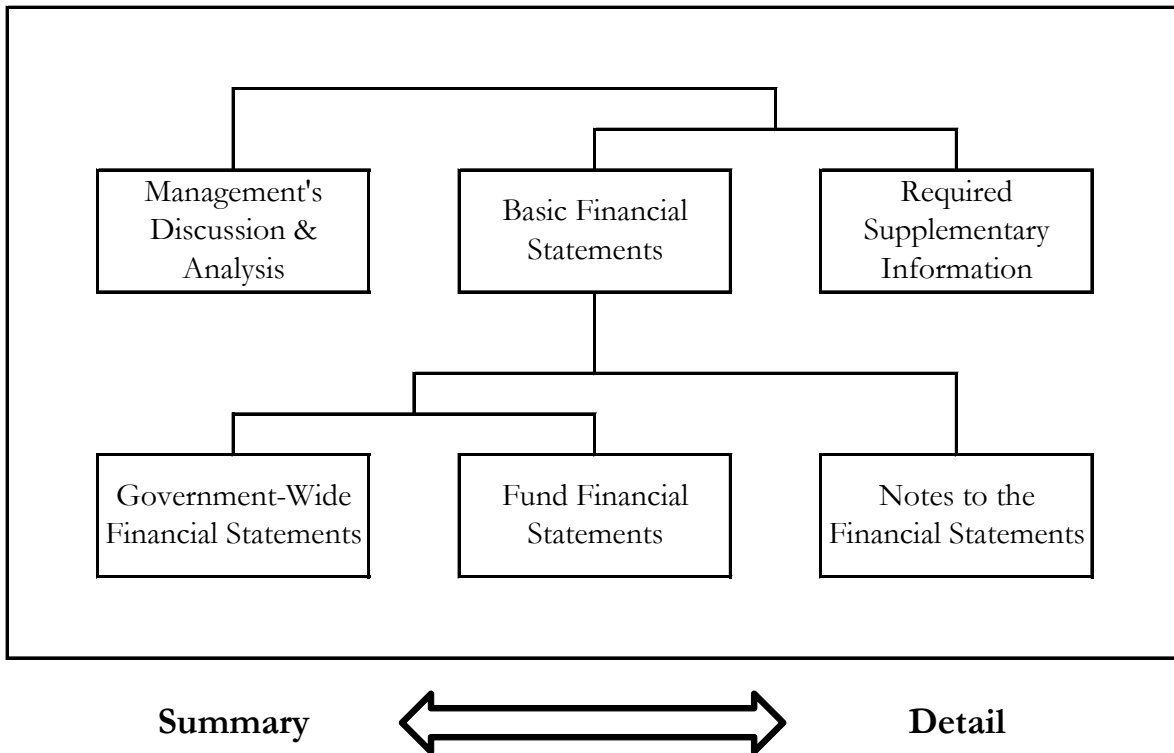
Our discussion and analysis of Orland Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ▶ The District's total net position was \$(6,998,010) at June 30, 2018. This was an increase of \$2,541,820 from the prior year after restatement.
- ▶ Overall revenues were \$30,006,664 which exceeded expenses of \$27,464,844.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section





**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position is one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District’s basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$(6,998,010) at June 30, 2018, as reflected in the table below. Of this amount, \$(22,684,692) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 13,965,724	\$ 8,965,174	\$ 5,000,550
Capital assets	34,197,424	29,999,550	4,197,874
<b>Total Assets</b>	<b>48,163,148</b>	<b>38,964,724</b>	<b>9,198,424</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,449,001</b>	<b>4,846,696</b>	<b>4,602,305</b>
<b>LIABILITIES</b>			
Current liabilities	4,922,948	2,419,345	2,503,603
Long-term liabilities	58,117,502	45,067,902	13,049,600
<b>Total Liabilities</b>	<b>63,040,450</b>	<b>47,487,247</b>	<b>15,553,203</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,569,709</b>	<b>808,638</b>	<b>761,071</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,928,507	10,174,993	2,753,514
Restricted	2,758,175	2,121,798	636,377
Unrestricted	(22,684,692)	(16,781,256)	(5,903,436)
<b>Total Net Position</b>	<b>\$ (6,998,010)</b>	<b>\$ (4,484,465)</b>	<b>\$ (2,513,545)</b>

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges slightly, so you can see our total revenues and expenses for the year.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 204,157	\$ 132,576	\$ 71,581
Operating grants and contributions	3,959,608	4,636,355	(676,747)
General revenues			
Property taxes	6,572,418	5,885,110	687,308
Unrestricted federal and state aid	18,822,664	16,749,866	2,072,798
Other	447,817	439,883	7,934
<b>Total Revenues</b>	<b>30,006,664</b>	<b>27,843,790</b>	<b>2,162,874</b>
<b>EXPENSES</b>			
Instruction	14,943,381	16,407,955	(1,464,574)
Instruction-related services	2,437,298	2,771,923	(334,625)
Pupil services	3,192,270	2,809,842	382,428
General administration	2,070,546	1,615,870	454,676
Plant services	2,150,607	2,208,390	(57,783)
Ancillary and community services	203,301	200,995	2,306
Debt service	1,278,115	1,069,809	208,306
Other outgo	1,189,326	1,128,854	60,472
<b>Total Expenses</b>	<b>27,464,844</b>	<b>28,213,638</b>	<b>(748,794)</b>
<b>Change in net position</b>	<b>2,541,820</b>	<b>(369,848)</b>	<b>2,911,668</b>
<b>Net Position - Beginning, as Restated*</b>	<b>(9,539,830)</b>	<b>(4,114,617)</b>	<b>(5,425,213)</b>
<b>Net Position - Ending</b>	<b>\$ (6,998,010)</b>	<b>\$ (4,484,465)</b>	<b>\$ (2,513,545)</b>

\* Beginning Net Position was restated for the 2018 year only

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The net cost of services for all our governmental activities this year was \$23,301,079 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$6,572,418 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>
Instruction	\$ 13,201,562	\$ 13,448,153
Instruction-related services	2,369,922	2,620,013
Pupil services	1,722,941	1,439,725
General administration	1,935,359	1,551,918
Plant services	1,600,433	2,198,590
Ancillary and community services	199,821	192,528
Debt service	1,278,115	1,069,809
Transfers to other agencies	992,926	923,971
<b>Total Expenses</b>	<u>\$ 23,301,079</u>	<u>\$ 23,444,707</u>

**FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$7,736,964, which is more than last year’s ending fund balance of \$4,467,653. The District’s General Fund had \$331,268 more in operating revenues than expenditures for the year ended June 30, 2018. The District’s Special Reserve Fund for Capital Outlay Projects had \$2,419,131 less in operating revenues than expenditures for the year ended June 30, 2018. The District’s Bond Interest & Redemption Fund had \$389,602 more in operating revenues than expenditures for the year ended June 30, 2018.

**CURRENT YEAR BUDGET 2017-2018**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval following the First Interim and Second Interim reporting period to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017-2018 the District had invested \$34,197,424 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 444,595	\$ 444,595	\$ -
Construction in progress	4,827,823	-	4,827,823
Land improvements	2,164,132	2,040,297	123,835
Buildings & improvements	40,830,177	40,673,154	157,023
Furniture & equipment	3,135,816	2,835,635	300,181
Accumulated depreciation	(17,205,119)	(15,994,131)	(1,210,988)
<b>Total Capital Assets</b>	<b>\$ 34,197,424</b>	<b>\$ 29,999,550</b>	<b>\$ 4,197,874</b>

**Long-Term Liabilities**

At year-end, the District had \$58,117,502 in long-term liabilities, an increase of \$8,891,388 from last year's restated balance – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 20,308,575	\$ 18,359,493	\$ 1,949,082
Total certificates of participation	4,376,758	4,490,889	(114,131)
Lease purchase agreements	4,868,243	-	4,868,243
Compensated absences	79,719	142,357	(62,638)
Total OPEB liability*	7,710,776	7,441,352	269,424
Net pension liability	21,506,798	19,239,585	2,267,213
Less: current portion of long-term debt	(733,367)	(447,562)	(285,805)
<b>Total Long-term Liabilities</b>	<b>\$ 58,117,502</b>	<b>\$ 49,226,114</b>	<b>\$ 8,891,388</b>

\*Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Orland Unified School District, 903 South Street; Orland, California 95963.

ORLAND UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 12,240,728
Accounts receivable	1,696,818
Inventory	11,401
Prepaid expenses	16,777
Capital assets, not depreciated	5,272,418
Capital assets, net of accumulated depreciation	28,925,006
<b>Total Assets</b>	<b>48,163,148</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	6,941,472
Deferred outflows related to OPEB	398,946
Deferred amount on refunding	2,108,583
<b>Total Deferred Outflows of Resources</b>	<b>9,449,001</b>
<b>LIABILITIES</b>	
Accrued liabilities	2,953,196
Unearned revenue	408,151
Claims liabilities	828,234
Long-term liabilities, current portion	733,367
Long-term liabilities, non-current portion	58,117,502
<b>Total Liabilities</b>	<b>63,040,450</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,569,709
<b>Total Deferred Inflows of Resources</b>	<b>1,569,709</b>
<b>NET POSITION</b>	
Net investment in capital assets	12,928,507
Restricted:	
Capital projects	582,165
Debt service	1,709,944
Educational programs	196,530
All others	269,536
Unrestricted	(22,684,692)
<b>Total Net Position</b>	<b>\$ (6,998,010)</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 14,943,381	\$ 22,278	\$ 1,719,541	\$ (13,201,562)
Instruction-related services				
Instructional supervision and administration	33,286	140	895	(32,251)
Instructional library, media, and technology	659,225	-	-	(659,225)
School site administration	1,744,787	237	66,104	(1,678,446)
Pupil services				
Home-to-school transportation	669,174	-	-	(669,174)
Food services	1,356,425	138,925	1,216,148	(1,352)
All other pupil services	1,166,671	3,830	110,426	(1,052,415)
General administration				
Centralized data processing	327,436	-	-	(327,436)
All other general administration	1,743,110	1,764	133,423	(1,607,923)
Plant services	2,150,607	21,246	528,928	(1,600,433)
Ancillary services	203,301	-	3,480	(199,821)
Interest on long-term debt	1,278,115	-	-	(1,278,115)
Other outgo	1,189,326	15,737	180,663	(992,926)
<b>Total Governmental Activities</b>	<b>\$ 27,464,844</b>	<b>\$ 204,157</b>	<b>\$ 3,959,608</b>	<b>(23,301,079)</b>
General revenues				
Taxes and subventions				
				5,453,216
				1,119,202
				18,822,664
				67,768
				118,164
				261,885
				<b>25,842,899</b>
<b>CHANGE IN NET POSITION</b>				
				2,541,820
				(9,539,830)
				<b>\$ (6,998,010)</b>

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



**ORLAND UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 4,470,185	\$ 2,440,093	\$ 1,817,648	\$ 817,129	\$ 9,545,055
Accounts receivable	1,104,857	9,019	61,614	180,270	1,355,760
Due from other funds	112	221,761	-	51,461	273,334
Stores inventory	-	-	-	11,401	11,401
Prepaid expenditures	16,777	-	-	-	16,777
<b>Total Assets</b>	<b>\$ 5,591,931</b>	<b>\$ 2,670,873</b>	<b>\$ 1,879,262</b>	<b>\$ 1,060,261</b>	<b>\$ 11,202,327</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 2,756,515	\$ -	\$ 1	\$ 27,362	\$ 2,783,878
Due to other funds	273,222	-	-	112	273,334
Unearned revenue	408,151	-	-	-	408,151
<b>Total Liabilities</b>	<b>3,437,888</b>	<b>-</b>	<b>1</b>	<b>27,474</b>	<b>3,465,363</b>
<b>FUND BALANCES</b>					
Nonspendable	20,777	-	-	11,401	32,178
Restricted	196,530	582,165	1,879,261	269,564	2,927,520
Committed	-	-	-	381,649	381,649
Assigned	395,899	2,088,708	-	370,173	2,854,780
Unassigned	1,540,837	-	-	-	1,540,837
<b>Total Fund Balances</b>	<b>2,154,043</b>	<b>2,670,873</b>	<b>1,879,261</b>	<b>1,032,787</b>	<b>7,736,964</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,591,931</b>	<b>\$ 2,670,873</b>	<b>\$ 1,879,262</b>	<b>\$ 1,060,261</b>	<b>\$ 11,202,327</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2018**

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**Total Fund Balance - Governmental Funds** \$ 7,736,964

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

**Capital assets:**

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 51,402,543	
Accumulated depreciation	<u>(17,205,119)</u>	34,197,424

**Deferred amount on refunding:**

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

2,108,583

**Unmatured interest on long-term debt:**

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(169,318)

**Long-term liabilities:**

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 20,308,575	
Total certificates of participation	4,376,758	
Lease purchase agreements	4,868,243	
Compensated absences	79,719	
Total OPEB liability*	7,710,776	
Net pension liability	<u>21,506,798</u>	(58,850,869)

**Deferred outflows and inflows of resources relating to pensions:**

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 6,941,472	
Deferred inflows of resources related to pensions	<u>(1,569,709)</u>	5,371,763

**Deferred outflows and inflows of resources relating to OPEB:**

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources relating to OPEB are reported as follows:

Deferred outflows of resources related to OPEB	\$ 398,946	398,946
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**Internal service funds:**

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

2,208,497

**Total Net Position - Governmental Activities** \$ (6,998,010)

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

**ORLAND UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 21,640,119	\$ -	\$ -	\$ -	\$ 21,640,119
Federal sources	1,122,184	-	-	1,128,636	2,250,820
Other state sources	2,289,243	1,853,085	13,451	78,572	4,234,351
Other local sources	949,647	17,808	1,122,906	268,057	2,358,418
<b>Total Revenues</b>	<b>26,001,193</b>	<b>1,870,893</b>	<b>1,136,357</b>	<b>1,475,265</b>	<b>30,483,708</b>
<b>EXPENDITURES</b>					
Current					
Instruction	15,017,495	-	-	-	15,017,495
Instruction-related services					
Instructional supervision and administration	29,002	-	-	-	29,002
Instructional library, media, and technology	661,547	-	-	-	661,547
School site administration	1,679,232	-	-	-	1,679,232
Pupil services					
Home-to-school transportation	634,704	-	-	-	634,704
Food services	3,433	-	-	1,352,621	1,356,054
All other pupil services	1,161,254	-	-	-	1,161,254
General administration					
Centralized data processing	306,103	-	-	-	306,103
All other general administration	1,409,624	-	-	-	1,409,624
Plant services	2,078,766	-	-	4,944	2,083,710
Facilities acquisition and maintenance	1,091,539	4,189,424	-	105,872	5,386,835
Ancillary services	215,212	-	-	-	215,212
Transfers to other agencies	1,135,402	-	-	-	1,135,402
Debt service					
Principal	110,000	-	316,667	-	426,667
Interest and other	136,612	100,600	430,088	-	667,300
<b>Total Expenditures</b>	<b>25,669,925</b>	<b>4,290,024</b>	<b>746,755</b>	<b>1,463,437</b>	<b>32,170,141</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>331,268</b>	<b>(2,419,131)</b>	<b>389,602</b>	<b>11,828</b>	<b>(1,686,433)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	221,761	-	50,000	271,761
Other sources	-	4,868,243	6,994,920	-	11,863,163
Transfers out	(271,761)	-	-	-	(271,761)
Other uses	-	-	(6,907,419)	-	(6,907,419)
<b>Net Financing Sources (Uses)</b>	<b>(271,761)</b>	<b>5,090,004</b>	<b>87,501</b>	<b>50,000</b>	<b>4,955,744</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>59,507</b>	<b>2,670,873</b>	<b>477,103</b>	<b>61,828</b>	<b>3,269,311</b>
<b>Fund Balance - Beginning</b>	<b>2,094,536</b>	<b>-</b>	<b>1,402,158</b>	<b>970,959</b>	<b>4,467,653</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,154,043</b>	<b>\$ 2,670,873</b>	<b>\$ 1,879,261</b>	<b>\$ 1,032,787</b>	<b>\$ 7,736,964</b>

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

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

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Net Change in Fund Balances - Governmental Funds \$ 3,269,311

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 5,687,016	
Depreciation expense:	<u>(1,210,988)</u>	4,476,028

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

5,675,000

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(11,863,163)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

1,576,154

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(278,154)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(66,776)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(612,990)

*(continued on following page)*

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 62,638

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 129,522

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (401,079)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 97,959

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 477,370

**Change in Net Position of Governmental Activities**

\$ 2,541,820

ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 2,695,673
Accounts receivable	341,058
Total current assets	<u>3,036,731</u>
<b>Total Assets</b>	<u>3,036,731</u>
<b>LIABILITIES</b>	
Claims liabilities	<u>828,234</u>
<b>Total Liabilities</b>	<u>828,234</u>
<b>NET POSITION</b>	
Restricted	<u>2,208,497</u>
<b>Total Net Position</b>	<u>\$ 2,208,497</u>

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

ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018

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	Governmental Activities
	Internal Service Fund
<b>OPERATING REVENUE</b>	
Charges for services	\$ 3,913,907
Other local revenues	109,995
<b>Total operating revenues</b>	<u>4,023,902</u>
 <b>OPERATING EXPENSE</b>	
Professional services	3,551,982
<b>Total operating expenses</b>	<u>3,551,982</u>
<b>Operating income/(loss)</b>	<u>471,920</u>
 <b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	5,450
<b>Total non-operating revenues/(expenses)</b>	<u>5,450</u>
 <b>CHANGE IN NET POSITION</b>	477,370
<b>Net Position - Beginning</b>	1,731,127
<b>Net Position - Ending</b>	<u>\$ 2,208,497</u>

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

**ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 4,006,666
Cash payments for payroll, insurance, and operating costs	(3,620,901)
Net cash provided by (used for) operating activities	<u>385,765</u>
<b>Cash flows from investing activities</b>	
Interest received	5,450
Net cash provided by (used for) investing activities	<u>5,450</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>391,215</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	2,304,458
End of year	<u>\$ 2,695,673</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 471,920
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(17,236)
Increase (decrease) in claims liabilities	(68,919)
Net cash provided by (used for) operating activities	<u>\$ 385,765</u>

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



**ORLAND UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 135,753
<b>Total Assets</b>	<u>\$ 135,753</u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 135,753
<b>Total Liabilities</b>	<u>\$ 135,753</u>

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity**

The Orland Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. **Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**B. Basis of Presentation (*continued*)**

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

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

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

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

B. Basis of Presentation (*continued*)

Non - Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Pupil Transportation Equipment Fund:** This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code Section 41852[b]*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

B. Basis of Presentation (*continued*)

Non - Major Governmental Funds (*continued*)

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Proprietary Funds

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Accounting – Measurement Focus

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Accounting – Measurement Focus (*continued*)

**Revenues – Exchange and Non-Exchange Transactions(*continued*)**

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

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

**Investments**

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

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position(*continued*)

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide 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 value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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 estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-15 years
Vehicles	8 years

**Interfund Balances**

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

**Compensated Absences**

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)**

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2016
Measurement Date	July 1, 2016
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)**

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Pensions**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance** (*continued*)

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

E. Interfund Activity

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Estimates

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

G. Budgetary Data

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

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

H. Property Tax

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

I. New Accounting Pronouncements

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard’s primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 85** – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard’s primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 8,957,890	\$ -	\$ 8,957,890	\$ -
Cash on hand and in banks	583,165	2,695,673	3,278,838	135,753
Cash in revolving fund	4,000	-	4,000	-
<b>Total cash and investments</b>	<b>\$ 9,545,055</b>	<b>\$ 2,695,673</b>	<b>\$ 12,240,728</b>	<b>\$ 135,753</b>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$8,942,726 and an amortized book value of \$8,957,890.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

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

	<u>Uncategorized</u>
Investment in county treasury	\$ 8,942,726
<b>Total fair market value of investments</b>	<u>\$ 8,942,726</u>



**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	Special Reserve			Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
	General Fund	Fund for Capital Outlay Projects	Bond Interest & Redemption Fund			
Federal Government						
Categorical aid	\$ 535,700	\$ -	\$ -	\$ 145,349	\$ -	\$ 681,049
State Government						
Categorical aid	-	-	-	11,346	-	11,346
Lottery	91,936	-	-	-	-	91,936
Local Government						
Other local sources	477,221	9,019	61,614	23,575	341,058	912,487
<b>Total</b>	<b>\$ 1,104,857</b>	<b>\$ 9,019</b>	<b>\$ 61,614</b>	<b>\$ 180,270</b>	<b>\$ 341,058</b>	<b>\$ 1,696,818</b>

**NOTE 4 – CAPITAL ASSETS**

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

	Balance			Balance June 30, 2018
	July 01, 2017	Additions	Deletions	
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 444,595	\$ -	\$ -	\$ 444,595
Construction in progress	-	4,827,823	-	4,827,823
Total Capital Assets not Being Depreciated	444,595	4,827,823	-	5,272,418
Capital assets being depreciated				
Land improvements	2,040,297	123,835	-	2,164,132
Buildings & improvements	40,673,154	435,177	278,154	40,830,177
Furniture & equipment	2,835,635	300,181	-	3,135,816
Total Capital Assets Being Depreciated	45,549,086	859,193	278,154	46,130,125
Less Accumulated Depreciation				
Land improvements	1,156,808	83,890	-	1,240,698
Buildings & improvements	12,580,347	989,526	-	13,569,873
Furniture & equipment	2,256,976	137,572	-	2,394,548
Total Accumulated Depreciation	15,994,131	1,210,988	-	17,205,119
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 29,999,550</b>	<b>\$ 4,476,028</b>	<b>\$ 278,154</b>	<b>\$ 34,197,424</b>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 787,125
Instructional supervision and administration	8,251
Instructional library, media, and technology	33,234
School site administration	82,309
Home-to-school transportation	27,163
Food services	52,230
All other pupil services	35,138
Centralized data processing	20,416
All other general administration	58,042
Plant services	96,551
Ancillary services	10,529
Total depreciation expense	\$ 1,210,988

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

Due To Other Funds	Due From Other Funds			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ 221,761	\$ 51,461	\$ 273,222
Non-Major Governmental Funds	112	-	-	112
<b>Total Due From Other Funds</b>	\$ 112	\$ 221,761	\$ 51,461	\$ 273,334

The General Fund owed the Special Reserve Fund for Capital Outlay Projects for the communications project.	\$ 221,761
The General Fund owed the Non-Major Cafeteria Fund to cover costs.	1,461
The General Fund owed the Non-Major Deferred Maintenance Fund to transfer lease revenue.	20,000
The General Fund owed the Non-Major Pupil Transportation Equipment Fund for bus replacement.	30,000
The Non-Major Cafeteria Fund owed the General Fund to cover costs.	112
<b>Total</b>	\$ 273,334

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
	General Fund	\$ 221,761	\$ 50,000
<b>Total Interfund Transfers</b>	<b>\$ 221,761</b>	<b>\$ 50,000</b>	<b>\$ 271,761</b>

The General Fund transferred to the Non-Major Deferred Maintenance Fund to transfer lease revenue.	\$	20,000
The General Fund transferred to the Non-Major Pupul Transportation Equipment Fund for bus replacement.		30,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for the communications project.		221,761
<b>Total</b>	<b>\$</b>	<b>271,761</b>

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds		District-Wide	Total Governmental Activities
Payroll	\$ 584,455	\$ -	\$ 3,278	\$ -	\$ -	\$ 587,733
Vendors payable	2,172,060	-	-	-	-	2,172,060
Unmatured interest	-	-	-	169,318	-	169,318
Other liabilities	-	1	24,084	-	-	24,085
<b>Total</b>	<b>\$ 2,756,515</b>	<b>\$ 1</b>	<b>\$ 27,362</b>	<b>\$ 169,318</b>	<b>\$ -</b>	<b>\$ 2,953,196</b>

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund
Federal sources	\$ 214,744
State categorical sources	193,407
<b>Total</b>	<b>\$ 408,151</b>

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated			Balance June 30, 2018	Balance Due In One Year
	Balance July 01, 2017	Additions	Deductions		
<b>Governmental Activities</b>					
General obligation bonds	\$ 18,136,308	\$ 7,607,910	\$ 5,565,000	\$ 20,179,218	\$ 467,584
Unamortized premium	226,273	-	93,942	132,331	16,878
Unamortized discount	(3,088)	-	(114)	(2,974)	(114)
Total general obligation bonds	18,359,493	7,607,910	5,658,828	20,308,575	484,348
Certificates of participation	4,400,000	-	110,000	4,290,000	120,000
Unamortized premium	90,889	-	4,131	86,758	4,131
Total certificates of participation	4,490,889	-	114,131	4,376,758	124,131
Lease purchase agreements	-	4,868,243	-	4,868,243	124,888
Compensated absences	142,357	-	62,638	79,719	-
Total OPEB liability	7,441,352	269,424	-	7,710,776	-
Net pension liability	19,239,585	2,267,213	-	21,506,798	-
<b>Total</b>	<b>\$ 49,673,676</b>	<b>\$ 15,012,790</b>	<b>\$ 5,835,597</b>	<b>\$ 58,850,869</b>	<b>\$ 733,367</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the General Fund.
- Payments for lease purchase agreements are made in the Special Reserve for Capital Outlay Projects.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. General Obligation Bonds**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2018
					Bonds Outstanding July 01, 2017	Additions	Deductions	
Election 2008, Series A	June 4, 2008	August 1, 2031	3.00% - 5.00%	\$8,000,000	\$ 7,130,000	\$ -	\$ 5,390,000	\$ 1,740,000
Election 2008, Series B	March 27, 2012	August 1, 2051	1.03% - 6.00%	8,034,047	9,838,834	556,444	160,000	10,235,278
Election 2008, Series C	March 7, 2013	August 1, 2043	3.00% - 5.55%	1,020,024	1,167,474	56,546	15,000	1,209,020
2018 Refunding	May 31, 2018	August 1, 2030	2.60%	6,994,920	-	6,994,920	-	6,994,920
					<b>\$ 18,136,308</b>	<b>\$ 7,607,910</b>	<b>\$ 5,565,000</b>	<b>\$ 20,179,218</b>

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**Election of 2008**

In an election held February 5, 2008, the voters authorized the District to issue and sale \$21,900,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the acquisition, construction, furnishing and equipping of District facilities and pay certain costs of issuance associated with the bonds. There were three issuances under this election:

- Series A, which was issued on June 4, 2008 for \$8,000,000, bears interest rates ranging from 3.00% to 5.00%. The original issuance consisted of \$3,055,000 of current interest bonds and \$4,945,000 of current interest term bonds. Interest on the bonds accrues from the date of issuance and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2009. The principal balance outstanding at June 30, 2018 amounted to \$1,740,000.
- Series B, which was issued on March 27, 2012 for \$8,034,047, bears interest rates ranging from 1.03% to 6.00%. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities, pay certain outstanding bond anticipation notes of the District at maturity, advance refund certain outstanding certificates of participation of the District, and pay certain costs of issuance. The original issuance consisted of \$2,553,978 of capital appreciation bonds and \$5,480,069 of convertible capital appreciation bonds. The capital appreciation bonds and the convertible capital appreciation bonds, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2012. From and after their conversion date, the convertible capital appreciation bonds will become current interest bonds upon which interest is payable on February 1 and August 1 of each year through maturity. The principal balance outstanding at June 30, 2018 amounted to \$10,235,278, which includes accreted interest.
- Series C, which was issued on March 7, 2013 for \$1,020,024, bears interest rates ranging from 3.00% to 5.55%. The bonds were issued to finance and refinance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance. The original issuance consisted of \$160,000 of current interest term bonds and \$860,024 of convertible capital appreciation term bonds. Interest on the current interest term bonds is payable on February 1 and August 1 of each year, commencing August 1, 2013. The convertible capital appreciation term bonds, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2013. The principal balance outstanding at June 30, 2018 amounted to \$1,209,020, which includes accreted interest.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2018 Refunding

On May 31, 2018, the District issued Series 2018 General Obligation Refunding Bonds for an aggregate amount of \$6,994,920 and consists of current interest bonds bearing fixed interest rate of 2.6% with a maturity date of August 1, 2030. The net proceeds of \$6,907,419 (after issuance costs of \$87,501) were used to refund a portion of the District’s Election 2008, Series A general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$77,064 remain to be amortized. This advanced refunding was undertaken to reduce total debt service payments and results in an economic gain of \$1,688,919. As of June 30, 2018, the principal balance on the refunding bonds amounted to \$6,994,920.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2052 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 467,584	\$ 376,852	\$ 844,436
2020	735,412	339,274	1,074,686
2021	803,216	316,666	1,119,882
2022	875,308	289,704	1,165,012
2023	962,503	256,896	1,219,399
2024 - 2028	3,986,601	1,014,727	5,001,328
2029 - 2033	3,065,695	1,545,754	4,611,449
2034 - 2038	563,887	1,031,113	1,595,000
2039 - 2043	1,261,871	2,723,129	3,985,000
2044 - 2048	1,915,094	4,434,906	6,350,000
2049 - 2052	2,454,023	5,715,977	8,170,000
Accretion	3,088,024	(3,088,024)	-
Total	\$ 20,179,218	\$ 14,956,974	\$ 35,136,192

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. Certificates of Participation (COPs)**

On December 7, 2010, the District issued \$6,100,000 certificates of participation with interest rates ranging from 3.00% to 6.00%. The certificates were issued for the purpose of assisting the District in new construction and other capital enhancements. On March 27, 2012, the District issued Election 2008, Series B bonds to partially refund certain outstanding certificates. The certificates were early refunded with the 2016 Refunding Certificates.

In April 2016, the District issued \$4,505,000 in Certificates of Participation to refund on a current basis all outstanding 2010 Certificates of Participation amounting to \$4,815,000. This refunding reduced total debt service payments by \$2,871,456 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,900,965. As of June 30, 2016, the principal balance outstanding on the defeased debt had been redeemed in full.

**Debt Service Requirements to Maturity – COPs**

The 2016 refunding certificates of participation mature through 2040 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	120,000	130,915	\$ 250,915
2020	125,000	124,790	249,790
2021	135,000	118,290	253,290
2022	145,000	111,290	256,290
2023	155,000	103,790	258,790
2024 - 2028	850,000	457,850	1,307,850
2029 - 2033	1,000,000	802,264	1,802,264
2034 - 2038	1,210,000	982,964	2,192,964
2039 - 2040	550,000	17,344	567,344
	<u>\$ 4,290,000</u>	<u>\$ 2,849,497</u>	<u>\$ 7,139,497</u>

**D. Lease Purchase Agreement**

On August 21, 2005, The District entered into a lease purchase agreement with Public Property Financing Corporation of California to fund the energy efficiency-solar project. The remaining obligation under the capital lease was \$4,868,243 at June 30, 2018.

Future payments on the lease purchase agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 124,888	\$ 99,963	\$ 224,851
2020	257,340	95,900	353,240
2021	271,464	90,294	361,758
2022	293,696	84,440	378,136
2023	316,558	78,186	394,744
2024-2028	1,836,662	286,663	2,123,325
2029-2033	1,767,635	87,192	1,854,827
	<u>\$ 4,868,243</u>	<u>\$ 822,638</u>	<u>\$ 5,690,881</u>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 8 – LONG-TERM DEBT (continued)

E. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$79,719. This amount is included as part of long-term liabilities in the government-wide financial statements.

F. Net Pension Liability

The District's beginning net pension liability was \$19,239,585 and decreased by \$2,267,213 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$21,506,798. See Note 11 for additional information regarding the net pension liability.

G. Other Postemployment Benefits

The District's restated beginning total OPEB liability was \$7,441,352 and increased by \$269,474 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$7,710,776. See Note 10 for additional information regarding the total OPEB liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Stores inventory	-	-	-	11,401	11,401
Prepaid expenditures	16,777	-	-	-	16,777
Total non-spendable	20,777	-	-	11,401	32,178
Restricted					
Educational programs	196,530	-	-	-	196,530
Capital projects	-	582,165	-	28	582,193
Debt service	-	-	1,879,261	-	1,879,261
All others	-	-	-	269,536	269,536
Total restricted	196,530	582,165	1,879,261	269,564	2,927,520
Committed					
Other commitments	-	-	-	381,649	381,649
Total committed	-	-	-	381,649	381,649
Assigned					
Regional MAA Funds	42,173	-	-	-	42,173
Lottery	73,789	-	-	-	73,789
Equipment	-	-	-	141,768	141,768
School Development	-	-	-	227,755	227,755
Technology	279,937	2,088,708	-	-	2,368,645
Other assignments	-	-	-	650	650
Total assigned	395,899	2,088,708	-	370,173	2,854,780
Unassigned					
Reserve for economic uncertainties	1,540,837	-	-	-	1,540,837
Total unassigned	1,540,837	-	-	-	1,540,837
<b>Total</b>	<b>\$ 2,154,043</b>	<b>\$ 2,670,873</b>	<b>\$ 1,879,261</b>	<b>\$ 1,032,787</b>	<b>\$ 7,736,964</b>



**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 9 – FUND BALANCES (continued)**

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses. See the General Fund trends schedule for additional information regarding the District's reserves.

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The Orland Unified School District's defined benefit OPEB plan, Orland Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the district through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. Employees and retirees may choose from a number of medical, dental, and vision benefits.

**B. Benefits Provided**

The eligibility requirements and benefits provided by the Plan are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

An employee who is 55 or older (age 60 or older for employees hired on or after July 1, 2015) and has been employed in the District for 10 or more years of full-time service or the equivalent thereof, may elect to retire and receive a District contribution towards medical (but not dental or vision) insurance in the same amount as that currently being paid for active employees. District-paid benefits end at age 65. Employees who retired prior to July 1, 2004 have the option of continuing insurance coverage beyond age 65 by contributing the full cost of such benefits.

The District's contribution is limited to a cap for both active employees and retirees. The cap for retirees is net of the allowance for dental and vision benefits included in the active cap, since dental and vision are self-paid for retirees. The cap for active employees is \$17,869 per year (\$1,489.08 per month) for 2016-17, and is scheduled to increase by a maximum of 4% per year thereafter. The de facto cap for retirees, excluding dental and vision components, is \$1,342.75 per month.

**C. Contributions**

The contribution requirements of Plan members and the Orland Unified School District are established and may be amended by the Orland Unified School District and the Teachers' Association and the local California Service Employees Association. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	30
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>217</u>
<b>Total number of participants**</b>	<b><u>247</u></b>

\*Information not provided

\*\*As of the July 1, 2016 valuation date

E. Total OPEB Liability

The Orland Unified School District’s total OPEB liability of \$7,710,776 was measured as of July 1, 2016 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

**Economic assumptions:**

Inflation	3.00%
Salary increases	3.00%
Investment rate of return	4.00%
Healthcare cost trend rates	8.00%

**Non-economic assumptions:**

*Mortality:*

Pre-retirement	RP-2014 Mortality Table for Males or Females, without projection
Post-retirement	RP-2014 Health Annuitant Mortality Table for Males or Females, without projection

The actuarial assumptions used in the July 1, 2016 valuation were based on a review of plan experience during the period July 1, 2014 to June 30, 2016.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs (continued)

**Discount rate:**

GASB 75 requires a discount rate that reflects the following:

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

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty years.

G. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 380,177
Interest on total OPEB liability	262,678
Benefits payments	<u>(373,431)</u>
Net change in total OPEB liability	269,424
Total OPEB liability - beginning	<u>7,441,352</u>
Total OPEB liability - ending	<u>\$ 7,710,776</u>
Covered payroll	\$ 13,311,559
District's total OPEB liability as a percentage of covered payroll	57.93%

The Orland Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

The following presents the total OPEB liability of the Orland Unified School District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62 percent) or one percentage point higher (4.62 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Valuation</b>	<b>1% Increase</b>
	<b>(2.62%)</b>	<b>Discount Rate</b>	<b>(4.62%)</b>
	<b>_____</b>	<b>(3.62%)</b>	<b>_____</b>
Net OPEB liability (asset)	\$ 8,204,391	\$ 7,710,776	\$ 7,235,338

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Orland Unified School District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current healthcare cost trend rate:

	<b>1% Decrease</b>	<b>Valuation Trend</b>	<b>1% Increase</b>
	<b>(7.0%)</b>	<b>Rate</b>	<b>(9.0%)</b>
	<b>_____</b>	<b>(8.0%)</b>	<b>_____</b>
Net OPEB liability (asset)	\$ 7,529,464	\$ 7,710,776	\$ 7,921,198

J. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Orland Unified School District recognized OPEB expense of \$398,948. At June 30, 2018, the Orland Unified School District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows</b>
	<b>of Resources</b>
	<b>_____</b>
District contributions subsequent to the measurement date	\$ 398,946
	<b>_____</b>
	\$ 398,946

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. OPEB Expense and Deferred Outflows of Resources Related to OPEB (continued)

The \$398,946 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 15,511,361	\$ 4,677,094	\$ 1,408,635	\$ 1,513,055
PERS Pension	5,995,437	2,264,378	161,074	771,434
<b>Total</b>	<u>\$ 21,506,798</u>	<u>\$ 6,941,472</u>	<u>\$ 1,569,709</u>	<u>\$ 2,284,489</u>

A. California State Teachers' Retirement System (CalSTRS)

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 11 – PENSION PLANS (*continued*)

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

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,340,078 for the year ended June 30, 2018.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$746,238 to CalSTRS.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

**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:

District's proportionate share of the net pension liability	\$	15,511,361
State's proportionate share of the net pension liability associated with the District		<u>9,176,464</u>
Total	\$	<u>24,687,825</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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, 2018, the District’s proportion was 0.017 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$1,513,055. In addition, the District recognized pension expense and revenue of \$263,744 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 413,111
Differences between expected and actual experience	57,363	270,543
Changes in assumptions	2,873,660	-
Changes in proportion and differences between District contributions and proportionate share of contributions	405,993	724,981
District contributions subsequent to the measurement date	<u>1,340,078</u>	<u>-</u>
	<u>\$ 4,677,094</u>	<u>\$ 1,408,635</u>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

The \$1,340,078 reported as 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 569,702	\$ 533,342
2020	569,702	(70,336)
2021	569,702	152,497
2022	569,702	557,245
2023	569,700	132,241
2024	488,508	103,646
	<u>\$ 3,337,016</u>	<u>\$ 1,408,635</u>

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.



ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	<hr/> 100% <hr/>	

\*20-year geometric average

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 22,775,602	\$ 15,511,361	\$ 9,615,937

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees’ Retirement System (CalPERS)

**Plan Description**

The District contributes to the School Employer Pool 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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

**Contributions (continued)**

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$543,332 for the year ended June 30, 2018.

**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 of \$5,995,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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 0.025 percent, which was an increase of 0.00034 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$771,434. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 207,401	\$ -
Differences between expected and actual experience	214,792	-
Changes in assumptions	875,728	70,589
Changes in proportion and differences between District contributions and proportionate share of contributions	423,125	90,485
District contributions subsequent to the measurement date	543,332	-
	<u>\$ 2,264,378</u>	<u>\$ 161,074</u>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

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

The \$543,332 reported as 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 574,563	\$ 161,074
2020	746,155	-
2021	513,901	-
2022	(113,573)	-
	\$ 1,721,046	\$ 161,074

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated 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.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

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

**Actuarial Assumptions (continued)**

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

\*An expected inflation of 2.50% used for this period.

\*\*An expected inflation of 3.00% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 8,821,208	\$ 5,995,437	\$ 3,651,222

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2018, the District had \$983,874 in commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of two joint powers authorities (JPAs). The first is the Golden State Risk Management Authority (GRSMA) and the other is the Schools Excess Liability Fund (SELF). The JPAs arrange for and provide property and liability insurance for member districts. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

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

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was \$2,108,583.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2018

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NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (*continued*)

**B. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was \$6,941,472 and total deferred inflows related to pensions was \$1,569,709.

**C. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$398,946.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ (4,484,465)
Restatement	(5,055,365)
Net Position - Beginning, as Restated	<u>\$ (9,539,830)</u>

NOTE 16 – CLAIMS LIABILITY

The District is self-insured for Workers’ Compensation. At June 30, 2018, the District maintained a reserve of \$828,234 to pay future claims. At June 30, 2018, the District had \$3,036,731 in assets available to pay claims.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**ORLAND UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 21,487,654	\$ 21,712,408	\$ 21,640,119	\$ (72,289)
Federal sources	21,044	1,289,320	1,122,184	(167,136)
Other state sources	395,644	1,763,519	2,289,243	525,724
Other local sources	120,000	867,851	946,702	78,851
<b>Total Revenues</b>	<b>22,024,342</b>	<b>25,633,098</b>	<b>25,998,248</b>	<b>365,150</b>
<b>EXPENDITURES</b>				
Certificated salaries	8,238,453	9,544,438	9,575,375	(30,937)
Classified salaries	2,599,990	3,327,117	3,374,804	(47,687)
Employee benefits	5,161,189	6,169,217	6,860,700	(691,483)
Books and supplies	980,815	1,401,573	1,161,844	239,729
Services and other operating expenditures	1,496,824	2,325,077	1,989,635	335,442
Capital outlay	49,607	1,586,554	1,325,553	261,001
Other outgo				
Excluding transfers of indirect costs	671,665	1,411,999	1,382,014	29,985
Transfers of indirect costs	(67,289)	-	-	-
<b>Total Expenditures</b>	<b>19,131,254</b>	<b>25,765,975</b>	<b>25,669,925</b>	<b>96,050</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>2,893,088</b>	<b>(132,877)</b>	<b>328,323</b>	<b>461,200</b>
<b>Other Financing Sources (Uses)</b>				
Contributions	(2,840,635)	-	-	-
Transfers out	-	(20,000)	(271,761)	(251,761)
<b>Net Financing Sources (Uses)</b>	<b>(2,840,635)</b>	<b>(20,000)</b>	<b>(271,761)</b>	<b>(251,761)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>52,453</b>	<b>(152,877)</b>	<b>56,562</b>	<b>209,439</b>
<b>Fund Balance - Beginning</b>	<b>1,345,041</b>	<b>1,345,041</b>	<b>1,817,544</b>	<b>472,503</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,397,494</b>	<b>\$ 1,192,164</b>	<b>\$ 1,874,106</b>	<b>\$ 681,942</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 380,177
Interest on total OPEB liability	262,678
Benefits payments	<u>(373,431)</u>
Net change in total OPEB liability	269,424
Total OPEB liability - beginning	<u>7,441,352</u>
Total OPEB liability - ending	<u>\$ 7,710,776</u>
Covered payroll	\$ 13,311,559
District's total OPEB liability as a percentage of covered payroll	57.93%

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**- CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.017%	0.018%	0.017%	0.017%
District's proportionate share of the net pension liability	\$ 15,511,361	\$ 14,345,844	\$ 11,425,691	\$ 10,070,764
State's proportionate share of the net pension liability associated with the District	9,176,464	8,168,035	6,042,915	6,081,162
Total	<u>\$ 24,687,825</u>	<u>\$ 22,513,879</u>	<u>\$ 17,468,606</u>	<u>\$ 16,151,926</u>
District's covered payroll	\$ 9,196,875	\$ 8,870,514	\$ 7,962,241	\$ 7,675,867
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.7%	161.7%	143.5%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
- CALPERS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.025%	0.025%	0.023%	0.024%
District's proportionate share of the net pension liability	\$ 5,995,437	\$ 4,893,741	\$ 3,460,009	\$ 2,716,079
District's covered payroll	\$ 3,204,599	\$ 2,968,285	\$ 2,281,588	\$ 2,511,536
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.1%	164.9%	151.6%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,340,078	\$ 1,127,078	\$ 947,764	\$ 707,045
Contributions in relation to the contractually required contribution*	(1,340,078)	(1,127,078)	(947,764)	(707,045)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,263,274	\$ 9,196,875	\$ 8,870,514	\$ 7,962,241
Contributions as a percentage of covered payroll	14.47%	12.26%	10.68%	8.88%

\*Amounts do not include on-behalf contributions

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 543,332	\$ 442,061	\$ 350,938	\$ 305,896
Contributions in relation to the contractually required contribution	(543,332)	(442,061)	(350,938)	(305,896)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,497,582	\$ 3,204,599	\$ 2,968,285	\$ 2,281,588
Contributions as a percentage of covered payroll	15.53%	13.79%	11.82%	13.41%

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Changes in Total OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

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

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 9,544,438	\$ 9,575,375	\$ 30,937
Classified salaries	\$ 3,327,117	\$ 3,374,804	\$ 47,687
Employee benefits	\$ 6,169,217	\$ 6,860,700	\$ 691,483



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**SUPPLEMENTARY  
INFORMATION**

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**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 616,719
Title II, Part A			
Title II, Part A, Teacher Quality	84.367	14341	90,365
Title III			
Title III, English Learner Student Program	84.365	14346	42,344
Title III, Immigrant Education Program	84.365	15146	4,267
Subtotal Title III			<u>46,611</u>
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	48,450
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	362,995
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	22,406
<b>Total U. S. Department of Education</b>			<u>1,187,546</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	246,265
National School Lunch Program	10.555	13391	712,611
Meal Supplements	10.555	*	26,290
USDA Commodities	10.555	*	79,918
Summer Food Service Program for Children	10.559	13004	12,127
Subtotal Child Nutrition Cluster			<u>1,077,211</u>
Forest Reserve Funds	10.665	10044	18,162
Child Nutrition: NSLP Equipment Assistance Grants	10.579	14906	51,424
<b>Total U. S. Department of Agriculture</b>			<u>1,146,797</u>
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	2,801
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>2,801</u>
U.S. DEPARTMENT OF INTERIOR:			
<i>Direct Award:</i>			
U.S. Wildlife Reserve Funds	15.673	*	23,475
<b>Total U.S. Department of Interior</b>			<u>23,475</u>
<b>Total Federal Expenditures</b>			<u>\$ 2,360,619</u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Second Period Report AD991DF8</b>	<b>Annual Report 398DE226</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	630.78	633.72
Total TK/K through Third	630.78	633.72
Fourth through Sixth		
Regular ADA	477.65	478.10
Total Fourth through Sixth	477.65	478.10
Seventh through Eighth		
Regular ADA	303.58	302.32
Community Day School	0.66	0.94
Total Seventh through Eighth	304.24	303.26
Ninth through Twelfth		
Regular ADA	708.21	703.02
Community Day School	1.98	2.59
Total Ninth through Twelfth	710.19	705.61
TOTAL SCHOOL DISTRICT	2,122.86	2,120.69

**ORLAND UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2017-18</b>	<b>Number of Days</b>	<b>Status</b>
		<b>Actual Minutes</b>		
Kindergarten	36,000	48,760	180	Complied
Grade 1	50,400	50,920	180	Complied
Grade 2	50,400	50,920	180	Complied
Grade 3	50,400	52,062	180	Complied
Grade 4	54,000	54,112	180	Complied
Grade 5	54,000	54,112	180	Complied
Grade 6	54,000	57,648	180	Complied
Grade 7	54,000	57,648	180	Complied
Grade 8	54,000	57,648	180	Complied
Grade 9	64,800	64,845	180	Complied
Grade 10	64,800	64,845	180	Complied
Grade 11	64,800	64,845	180	Complied
Grade 12	64,800	64,845	180	Complied

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019 (Budget)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 26,815,485	\$ 25,998,248	\$ 24,173,506	\$ 24,112,364
Expenditures And Other Financing Uses	26,621,407	25,941,686	23,821,375	23,568,331
Net change in Fund Balance	\$ 194,078	\$ 56,562	\$ 352,131	\$ 544,033
Ending Fund Balance	\$ 2,068,184	\$ 1,874,106	\$ 1,817,544	\$ 1,465,413
Available Reserves*	\$ 1,732,003	\$ 1,540,836	\$ 754,083	\$ 1,034,044
Available Reserves As A Percentage Of Outgo	6.51%	5.94%	3.17%	4.39%
Long-term Debt	\$ 58,117,502	\$ 58,850,869	\$ 44,618,311	\$ 40,227,481
Average Daily Attendance At P-2	2,165	2,123	2,105	2,106

The General Fund balance has increased by \$408,693 over the past two years. The fiscal year 2018-19 budget projects an increase of \$194,078. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by \$18,623,388 over the past two years.

Average daily attendance has increased by 17 ADA over the past two years. An additional increase of 42 ADA is anticipated during the 2018-19 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.

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

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>General Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
June 30, 2018, annual financial and budget report fund balance	\$ 1,874,106	\$ 279,937
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	279,937	(279,937)
Net adjustments and reclassifications	279,937	(279,937)
June 30, 2018, audited financial statement fund balance	\$ 2,154,043	\$ -

ORLAND UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 235,742	\$ 353,985	\$ -	\$ 28	\$ 226,727	\$ 647	\$ 817,129
Accounts receivable	177,491	1,747	-	-	1,029	3	180,270
Due from other funds	1,461	20,000	30,000	-	-	-	51,461
Stores inventory	11,401	-	-	-	-	-	11,401
<b>Total Assets</b>	<b>\$ 426,095</b>	<b>\$ 375,732</b>	<b>\$ 30,000</b>	<b>\$ 28</b>	<b>\$ 227,756</b>	<b>\$ 650</b>	<b>\$ 1,060,261</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ 3,278	\$ 24,084	\$ -	\$ -	\$ -	\$ -	\$ 27,362
Due to other funds	112	-	-	-	-	-	112
<b>Total Liabilities</b>	<b>3,390</b>	<b>24,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,474</b>
<b>FUND BALANCES</b>							
Non-spendable	11,401	-	-	-	-	-	11,401
Restricted	269,536	-	-	28	-	-	269,564
Committed	-	351,649	30,000	-	-	-	381,649
Assigned	141,768	-	-	-	227,755	650	370,173
<b>Total Fund Balances</b>	<b>422,705</b>	<b>351,648</b>	<b>30,000</b>	<b>28</b>	<b>227,756</b>	<b>650</b>	<b>1,032,787</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 426,095</b>	<b>\$ 375,732</b>	<b>\$ 30,000</b>	<b>\$ 28</b>	<b>\$ 227,756</b>	<b>\$ 650</b>	<b>\$ 1,060,261</b>

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
<b>REVENUES</b>							
Federal sources	1,128,636	-	-	-	-	-	1,128,636
Other state sources	78,572	-	-	-	-	-	78,572
Other local sources	143,189	3,885	-	-	120,976	7	268,057
<b>Total Revenues</b>	<b>1,350,397</b>	<b>3,885</b>	<b>-</b>	<b>-</b>	<b>120,976</b>	<b>7</b>	<b>1,475,265</b>
<b>EXPENDITURES</b>							
Current							
Pupil services							
Food services	1,352,621	-	-	-	-	-	1,352,621
Plant services	-	-	-	-	4,944	-	4,944
Facilities acquisition and maintenance	5,388	100,484	-	-	-	-	105,872
<b>Total Expenditures</b>	<b>1,358,009</b>	<b>100,484</b>	<b>-</b>	<b>-</b>	<b>4,944</b>	<b>-</b>	<b>1,463,437</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>(7,612)</b>	<b>(96,599)</b>	<b>-</b>	<b>-</b>	<b>116,032</b>	<b>7</b>	<b>11,828</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	20,000	30,000	-	-	-	50,000
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>20,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,612)</b>	<b>(76,599)</b>	<b>30,000</b>	<b>-</b>	<b>116,032</b>	<b>7</b>	<b>61,828</b>
<b>Fund Balance - Beginning</b>	<b>430,317</b>	<b>428,247</b>	<b>-</b>	<b>28</b>	<b>111,724</b>	<b>643</b>	<b>970,959</b>
<b>Fund Balance - Ending</b>	<b>\$ 422,705</b>	<b>\$ 351,648</b>	<b>\$ 30,000</b>	<b>\$ 28</b>	<b>\$ 227,756</b>	<b>\$ 650</b>	<b>\$ 1,032,787</b>

See accompanying note to supplementary information.



**ORLAND UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2018**

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Orland Unified School District is located in Glenn County, California. The District was established in 1918. There were no changes in the boundaries of the District during the current year. The District is currently operating two elementary schools, one intermediate school, one high school, one continuation high school, one community day school, and one independent study program.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Erika Fuentes	President	2018
Michelle Allen	Clerk	2018
Jeff Aguiar	Member	2020
Ed Changus	Member	2020
Suzi Kochems	Member	2020

**DISTRICT ADMINISTRATORS**

Ken Geisick  
*Superintendent*

Kerri Hubbarb  
*Chief Business Official*

**ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 2,250,820
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	83,356
NCLB: Title III, English Learner Student Program	84.365	23,642
Medi-Cal Administrative Activities (MAA)	93.778	<u>2,801</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 2,360,619</u>

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

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

**Schedule of Instructional Time**

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 46208*. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

**Schedule of Financial Trends and Analysis**

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

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

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2018

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NOTE 1 – PURPOSE OF SCHEDULES (continued)

**Combining Statements – Non-Major Governmental Funds**

These statements provide information on the District's non-major governmental funds.

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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State Board of Accountancy*

Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orland Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Orland Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2018.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **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.

A handwritten signature in cursive script that reads "Chisty White Associates".

San Diego, California  
December 12, 2018

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

Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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John Whitehouse, CPA

Heather Daud Rubio

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### *Opinion on Each Major Federal Program*

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Christy White Associates*

San Diego, California  
December 12, 2018



## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board  
Orland Unified School District  
Orland, California

### **Report on State Compliance**

We have audited Orland Unified School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Orland Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Orland Unified School District's state 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Orland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Orland Unified School District's compliance with those requirements.

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### *Opinion on State Compliance*

In our opinion, Orland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2018-001. Our opinion on state compliance is not modified with respect to these matters.

Orland Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Orland Unified School 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.

### *Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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 Jobs Act	Yes

*(Continued on the next page)*

*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
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
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

*Christy White Associates*

San Diego, California  
December 12, 2018

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553, 10.555, 10.559	Child Nutrition Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

ORLAND UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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FIVE DIGIT CODE

20000

30000

60000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

Miscellaneous

*There were no financial statement findings for the year ended June 30, 2018.*

ORLAND UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2018.*

**ORLAND UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2018-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

**Criteria:** School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District, should contain information on the availability of sufficient textbooks and other instructional materials pursuant to Education Code section 33126(b)(6)(B) with the information in the resolution and the determinations pursuant to Education Code section 60119 for the year applicable to the SARCs. SARCs should also contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

**Condition:** During testing of a representative sample of 2016-17 SARCs posted in 2017-18, the following issues were noted regarding facilities conditions:

- Mill Street Elementary School: Electrical and restrooms were marked “poor” on the FIT form and “fair” on the SARC report. Interior was marked “fair” on the FIT report and marked “poor” on the SARC.
- North Valley Continuation School: Safety was marked “fair” on the FIT form and marked “good” on the SARC report.

**Cause:** Clerical errors in posting the SARC.

**Questioned Costs:** Not applicable.

**Effect:** The SARCs were not accurate.

**Recommendation:** We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs.

**District Response:** To eliminate clerical errors on the School Accountability Report Cards, the District will add a checklist item to the SARC process which reconciles facility conditions on the SARC to the FIT report.



ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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*There were no audit findings or questioned costs for the year ended June 30, 2017.*