

**GLENDALE UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY**

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

GLENDALE UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS..... i

FINANCIAL SECTION.....1

Basic Financial Statements2

Government – Wide Financial Statements2

Statement of Net Position2

Statement of Activities.....3

Fund Financial Statements.....4

Balance Sheet – Governmental Funds4

Reconciliation of the Governmental Funds Balance Sheet to the Statement
of Net Position5

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Funds.....6

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of Activities.....7

Statement of Fund Net Position – Proprietary Fund8

Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Fund9

Statement of Cash Flows – Proprietary Fund10

Statement of Fiduciary Net Position11

Statement of Changes in Fiduciary Net Position12

Notes to the Financial Statements.....13

REQUIRED SUPPLEMENTARY INFORMATION60

Schedule of Budgetary Comparison for the General Fund.....61

Schedule of the District's Proportionate Share of the Net Pension Liability62

Schedule of District Contributions.....64

Schedule of Changes in the Total OPEB Liability and Related Ratios – Retiree
Health Plan.....66

Schedule of Changes in the Net OPEB Liability and Related Ratios – Medicare
Premium Payment Plan.....67

Notes to the Required Supplementary Information68

SUPPLEMENTARY INFORMATION.....70

History and Organization.....71

GLENDALE UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

Schedule of Average Daily Attendance (ADA).....	72
Schedule of Instructional Time.....	73
Schedule of Expenditures of Federal Awards.....	74
Schedule of Financial Trends and Analysis.....	76
Schedule of Charter Schools.....	77
Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements.....	78
Notes to the Supplementary Information.....	79
OPTIONAL SUPPLEMENTARY INFORMATION	81
Combining Statements – Building Fund.....	82
Combining Balance Sheet.....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	83
Combining Statements – Non-Major Governmental Funds	84
Combining Balance Sheet.....	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	85
Combining Statements – Proprietary Fund.....	86
Combining Statement of Net Position	86
Combining Statement of Revenues, Expenditures, and Changes in Net Position	87
Combining Statement/Schedule – Fiduciary Funds.....	88
Combining Statement of Fiduciary Net Position.....	88
Combining Schedule of Changes in Fiduciary Activity – Associated Student Body Funds.....	90
Notes to the Optional Supplementary Information.....	92
OTHER INDEPENDENT AUDITOR'S REPORTS.....	93
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94
Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	96
Independent Auditor's Report on State Compliance.....	99

GLENDALE UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

FINDINGS AND QUESTIONED COSTS	102
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	103
Schedule of Findings and Questioned Costs – Related to the Financial Statements	104
Schedule of Findings and Questioned Costs – Related to Federal Awards.....	105
Schedule of Findings and Questioned Costs – Related to State Awards.....	106
Status of Prior Year Findings and Questioned Costs.....	107
CONTINUING DISCLOSURE INFORMATION	108
Continuing Disclosure Information (Unaudited).....	109



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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Opinion

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

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, the continuing disclosure information and the

Board of Education
Glendale Unified School District

schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

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

Introduction

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

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

Financial Highlights

This section provides an overview of District financial activities.

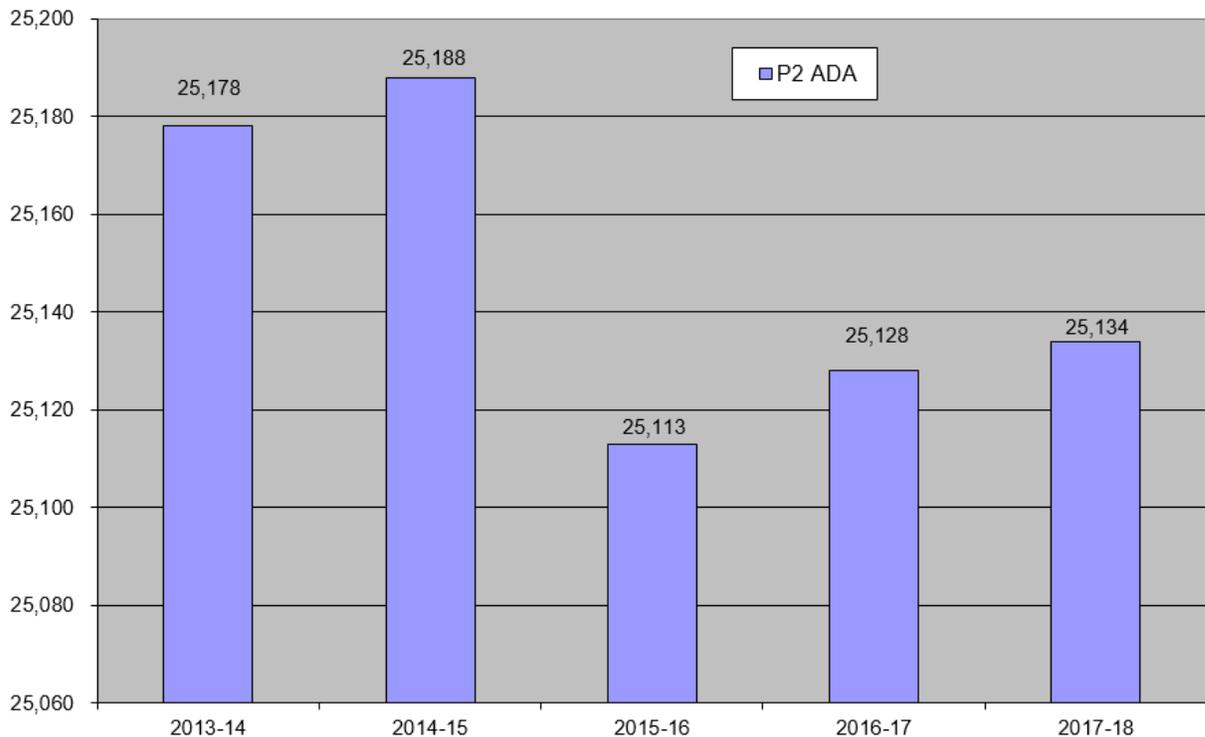
- Combined Restricted and Unrestricted General Fund revenues were \$290,551,396 representing an increase of approximately 2.20% from the prior year. This increase is primarily due to Local Control Funding Formula (LCFF) revenue received in 2017-18. The LCFF eliminated Revenue Limit and almost all categorical programs (except those established by state initiative or federal statutes). The LCFF entitlement is based on the three key elements of base year funding in 2012-13, demographics of student population, and state appropriations for LCFF phase in over eight years. The first five years implementation of LCFF sustained a GAP closure of 93%, reaching to 97%, of target funding. Starting 2018-19, the LCFF increases will be COLA only increases. One of the monetary provisions of the LCFF that the State Board of Education (SBE) enacted in 2014-15, was requiring the County Office of Education (COEs) to review the Local Control Accountability Plan (LCAP), produced and adopted by school district which is concurrent and aligned with annual budget and spending plan. Funding allocated through the LCFF is largely unrestricted, but is subject to comprehensive accountability requirements established in LCAP.
- The District continues to maintain reserves sufficient to meet the state-required minimum Reserve for Economic Uncertainties of 3% of General Fund expenditures.

GLENDALE UNIFIED SCHOOL DISTRICT

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

- Due to the state’s fiscal issues and the subsequent impact on the District’s fiscal health, the District has implemented changes to minimize the decrease in its fund balance to ensure solvency in future years. Some of these changes include implementing energy conservation strategies, consolidating facilities to eliminate rental fees, transferring of monies from other funds, as well as, the approval of the Solvency Plan to maximize income and lower expenditures.
- The District for the last several years has been experiencing declining enrollment. Between 2016-17 and 2017-18, there was a decrease in enrollment of 4 students. Since 2013-14, the enrollment has dropped 111 students. This has a very direct impact on the District’s revenue since funding is based on student attendance (Average Daily Attendance - ADA). The chart below shows the District’s ADA for a five year period:

Student Average Daily Attendance



Fund Financial Statements

More detailed information about the District’s most significant funds are provided in the fund financial statements. Funds are accounting formats used to keep track of specific sources of funding

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

and expenditures in particular programs. Some funds are required by bond covenants and by state law, and other funds are established by the District to manage a variety of activities for particular purposes (such as repaying its long-term debt). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

The District maintains three classes of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally categorize the revenues and expenditures for specific purposes and the balances left at year-end that are available for expenditure in subsequent years. The funds are as follows:

- Fund 01.0 - General Fund
- Fund 10.0 - Special Education Pass-Through Fund
- Fund 12.0 - Child Development Fund
- Fund 13.0 - Cafeteria Fund
- Fund 14.0 - Deferred Maintenance Fund*
- Fund 21.1 - Measure S Building Fund
- Fund 21.2 - Clean Renewable Energy Bond Fund
- Fund 25.0 - Capital Facilities Fund
- Fund 35.0 - County School Facilities Fund
- Fund 40.1 - Special Reserve Fund for Capital Outlay
- Fund 40.2 - Special Reserve Fund for Cafeteria Capital Outlay
- Fund 51.0 - Bond Interest and Redemption Fund
- Fund 56.0 - Debt Service Fund

*Due to GASB 54, this fund is reported in the General Fund.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided in the reconciliation provided after the governmental fund statements that explains the differences (or relationships).

Proprietary funds: The proprietary fund category includes Enterprise and Internal Service Funds. One type of proprietary fund, an internal service fund, is the same as the business-type activities, but provides more detail and additional information, such as cash flows. The Internal Service Fund reports activities that provide supplies and services for the other programs and activities of the District. Proprietary Funds are reported in the same way as the district-wide statements. Currently, the District has three internal service funds:

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

Fund 67.0 - Medical Fund
Fund 67.1 - Workers' Compensation Fund
Fund 67.2 - Early Retirement Benefits Fund

Fiduciary funds: The District has two fiduciary funds, Foundation Trust Fund 73.0 and the cumulative Associated Student Body funds at the school sites. The capitalization of Fund 73.0 was initially established from a request of a former teacher leaving a portion of her estate to Hoover High School. In 2015-16, the Doug Dall Scholarship was set up in honor of the services of Doug Dall, retired principal of Clark Magnet High School. This scholarship is presented to a Clark student who has displayed a continuous pattern of academic growth, completed the recommended 100 hours of community service and the course requirements of one of Clark's Career Technical Education Pathways, and demonstrated a financial need to complete post-secondary education goals. Additionally, in 2010-11, the Michael F. Escalante Senior Scholar Award was established commemorating the service of Superintendent Dr. Michael F. Escalante. This award is presented annually to an outstanding senior from each one of the Glendale Unified high schools. For assets that belong to others, such as the scholarship fund and/or student activities funds, the District acts as the trustee, or fiduciary, and is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. A separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position report the District's fiduciary activities. These activities are excluded from the district-wide financial statements, as the assets cannot be used to finance other District operations.

Statement of Net Position

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

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those funds for expenditure. Net position is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation. The net

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

position is presented in three major categories. The first category provides the information in regards to equity in property, plant, and equipment owned by the District. The second category provides information on funds that are restricted for specific purposes and programs based on laws and regulations. The third category provides information on unrestricted net position that are available for obligations as may be approved by the Board of Education.

The Statement of Net Position as of June 30, 2017, and 2018 is summarized below:

	<u>2017 (*)</u>	<u>2018</u>
Assets		
Cash	\$ 262,570,287	\$ 209,614,353
Cash with Fiscal Agent	799,304	799,304
Cash in Escrow Account	84,373,081	82,559,091
Accounts Receivable	9,345,924	12,884,661
Inventories	167,881	197,367
Prepaid Expenses and other assets	1,538,717	791,460
Capital Assets, Net	<u>519,217,356</u>	<u>550,170,436</u>
Total Assets	<u>878,012,550</u>	<u>857,016,672</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding Bonds	5,343,128	4,731,299
Deferred Outflows - OPEB	-	729,295
Deferred Outflows - Pension Contributions	<u>53,553,982</u>	<u>85,449,888</u>
Total Deferred Outflows of Resources	<u>58,897,110</u>	<u>90,910,482</u>
Liabilities		
Other Liabilities	56,837,576	55,037,761
Long-Term Liabilities	<u>734,078,112</u>	<u>769,354,657</u>
Total Liabilities	<u>790,915,688</u>	<u>824,392,418</u>
Deferred Inflows of Resources		
Deferred Inflows - Pensions	<u>12,288,670</u>	<u>14,506,179</u>
Total Deferred Inflows of Resources	<u>12,288,670</u>	<u>14,506,179</u>
Net Position		
Net Investment in Capital Assets	273,565,847	273,713,515
Restricted	45,481,468	46,505,878
Unrestricted	<u>(185,342,013)</u>	<u>(211,190,836)</u>
Total Net Position	<u>\$ 133,705,302</u>	<u>\$ 109,028,557</u>

(*) The 2017 balances have been adjusted \$53,236,192 for the change in accounting principle. See Note 18.

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

- Cash with the District is also detailed in the notes to the financial statements and is invested with the Los Angeles County Treasury to comply with various code restrictions. The Unrestricted General Fund cash balance decreased by \$6.0 million. This was primarily due to the decrease in GAP percentage and increase in deficit spending. The net decrease in cash for all the funds was approximately \$52.96 million or 20.2%.
- Accounts receivable are mainly accounts due from state and federal government sources for the general operating fund and categorical programs. The net increase for all funds was approximately \$3.5 million or 37.86%. This is primarily due to deferrals in federal and categorical state funding.

Statement of Activities

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

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

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

Revenues	<u>2017</u>	<u>2018</u>
Program Revenues:		
Charges for Services	\$ 8,320,714	\$ 9,098,624
Operating Grants and Contributions	63,621,532	63,808,211
General Revenues:		
Property Taxes	92,880,597	99,029,154
Federal and State Aid not Restricted to Specific Purposes	155,675,205	151,818,603
Interest and Investment Earnings	4,088,724	2,839,282
Miscellaneous	<u>10,234,951</u>	<u>5,855,549</u>
Total Revenues	<u>334,821,723</u>	<u>332,449,423</u>
 Expenses		
Instruction	199,048,577	218,048,798
Instruction - Related Services	34,236,739	37,107,483
Pupil Services	27,212,974	27,383,602
Ancillary Services	1,775,914	1,779,523
Community Services	508,118	513,044
Enterprise Activities	4,028	1,206
General Administration	12,811,057	14,970,954
Plant Services	28,739,048	29,483,614
Other Outgo	5,743,102	2,026,131
Debt Service - Interest	22,906,013	17,105,818
Depreciation (unallocated)	<u>8,810,798</u>	<u>8,705,995</u>
Total Expenses	<u>341,796,368</u>	<u>357,126,168</u>
 Change in Net Position	 <u>\$ (6,974,645)</u>	 <u>\$ (24,676,745)</u>

- The District’s largest operating expenses are primarily for salaries and benefits. The District expended approximately 88% of its total Unrestricted General Fund budget in this area. Certificated and classified salaries are adjusted annually for step and column adjustments and corresponding savings due to attrition and retirements. For the current year, step increases were approximately 1.2% for certificated employees and classified employees.
- Health and Welfare benefits (medical, vision, dental and life) premium rates paid by the District increased approximately 2.4% for HMO and increased 6.7% for PPO in 2017-18 and are projected to have a net increase of 4.9% for HMO and a net increase of 14.7% for PPO in 2018-19, reflecting utilization shifts among the medical coverage groups.
- Interest income of \$2,839,282 is considered general revenue. Of this amount in interest income, \$1,062,298 is from the General Fund. Interest income is generated by the cash

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

invested with the Los Angeles County Treasury. The average quarterly interest rate for fiscal year 2017-18 was 1.56%. Unrealized gains/losses reported in investment earnings is related to fair value adjustments on investments with the refunding escrow agent.

- The importance of the identification and planning for the costs associated with retiree medical benefits has been addressed by the Governmental Accounting Standards Board Statement No. 75.

Additionally, current state law (Chapter 650, Statutes of 1994) requires governing boards, on an annual basis, to certify to the county superintendent the estimated accrued but unfunded cost of health and welfare benefits provided to employees upon their retirement.

Every year an actuarial analysis is required. The last actuarial was re-calculated for July 1, 2017 - June 30, 2018 utilizing the then current staffing and insurance rate. This service was provided by Grant Thornton LLP. The report indicated that \$74.97 million represents the actuarial accrued liability associated with retiree benefits. This figure is \$22.27 million higher than the \$52.7 million figure estimated in the 2016-17 report. The 2016-17 report was based on the belief that the District’s contribution to employee health insurance had a “cost” cap, meaning it would have an annual increase of 8.0% in future years. The 2017-18 report indicates that the current employee contracts will continue to have an 8.0% annual increase to the District’s contribution for teachers and management. Approximately thirty percent (30%) of the 2017-18 cost estimate is related to current retirees and active employees who have met retiree medical eligibility requirements. The balance is for active employees who are not yet age fifty-five.

Significant Changes in Other Fund Balances from June 30, 2017 to June 30, 2018

Fund	Fund Balance		
	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>Difference</u>
Fund 13.0 Cafeteria Fund	\$ 4,350,555	\$ 3,964,118	\$ (386,437)
Fund 21.1 & 21.2 Building Funds	80,859,460	44,060,440	(36,799,020)
Fund 25.0 Capital Facilities Fund	10,185,256	9,925,419	(259,837)
Fund 40.1 Special Reserve Fund for Capital Outlay	22,711,564	25,883,394	3,171,830
Fund 67.0 Medical Fund	4,428,386	4,821,407	393,021
Fund 67.1 Workers' Compensation Fund	1,857,482	1,825,254	(32,228)
Fund 67.2 Early Retirement Benefits Fund	593,287	578,770	(14,517)

Fund 13.0 Cafeteria Fund

The Cafeteria Fund decrease of \$0.4 million was primarily due to increase in expenditure in the food category.

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

Fund 21.1 & 21.2 Building Funds

The Building Funds balance decrease of \$36.8 million was primarily due to issuance of “Series C” bonds for \$70 million and CREBs third series for \$10.7 million in 2016-17 allowing an increase of capital outlay in 2017-18.

Fund 25.0 Capital Facilities Fund

The Capital Facilities Fund balance decrease of \$0.3 million was primarily due to interfund transfers out of \$1.7 million and offsetting revenue in developer fees of \$1.4 million.

Fund 40.1 & 40.2 Special Reserve Fund

The Special Reserve Fund balance increase of \$3.2 million was primarily due to net proceeds from Redevelopment Agency share for San Fernando Corridor and Central Interagency transfer from the General Fund (01.0).

Fund 67.0 Medical Fund

The purpose of this fund is to account for the dental, vision, and pharmaceutical insurance plans that are self-funded by the District. This includes the Delta Dental coverage that is provided through a Joint Powers Authority (JPA). In 2017-18, the District maintained its dental program in Alameda County Schools Insurance Group (ACSIG) as a participating member of the Education Dental Group Enterprise (EDGE). Additionally, the District “carved-out” the pharmaceutical services from the incumbent health care provider in 2017-18. Based on the decision and recommendation of the District’s Benefits Committee, pharmaceutical service is now self-funded. It is administered by MedImpact effective October 1, 2017. Revenues and expenses are allocated the same way as vision and dental. The increase in the fund balance of \$0.4 million is primarily due to more in-district premium/contributions compared to expenditures.

Fund 67.1 Workers’ Compensation Fund

The District’s coverage is through ASCIP at a 2.743% rate of payroll. There was no utilization of fund reserves in 2017-18. The Workers’ Compensation Fund balance decreased by \$30 thousand due to adjustments in Incurred But Not Reported (IBNR) liabilities for self-insured claims that occurred prior to 2005-06, and the decrease in the Workers’ Compensation rate of payroll of 0.34%.

Fund 67.2 Early Retirement Benefits Fund

Fund 67.2 is restricted to accounting for the health insurance premiums the District pays for retirees. This fund was established to set aside monies for the current and future liability

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

resulting from the District providing medical insurance to retirees. The Early Retirement Benefits fund balance decrease of \$15 thousand is primarily due to the increase in utilization of in-district premium contributions in 2017-18 with the rate of 1.298% applied to payroll. Funds are used to pay premium payments for retirees.

General Fund Budget

During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A budgetary comparison schedule for the General Fund (including the Deferred Maintenance Fund as required by GASB 54) is presented on page 61

Variations between final budget amounts and actual results were a result of actions taken by the Board of Education to reduce or defer expenditures and increase income during the fiscal year. The 2017-18 student average daily attendance (ADA) increased by 6 ADA. Additionally, Outgoing Tuition of \$0.5 million consisted of Special Education excess costs to Burbank and La Canada Unified School Districts, and \$0.2 million for LACOE Specialized Schools. Approximately \$3.0 million of interfund transfers out were related to Redevelopment Agency Revenues (RDA).

Variations between the original and final budget amounts were created by carry-over of funds, new funding for categorical programs, and other unanticipated revenues. These amounts were unknown at the time the original budget was adopted.

General Fund Budgetary Highlights

One of the challenges that school districts face is how to maintain credibility in the budgeting process when districts are dependent on state funding and the state funding is unstable. Even when the economy is strong, the state funding is not finalized until after districts are required to adopt their budgets; and in recent years, state funding has shifted during the fiscal year.

The following table compares the District's adopted budget for the General Fund not including the Deferred Maintenance Fund. The \$3.6 million change in the General Fund ending balance (Adopted Budget versus Actuals) is primarily related to the net increase of expenditures over revenues. Components of the variances include \$4.3 million increase in certificated salaries, which is primarily due to GTA salary increase settlement for 2016-17 retro and 2017-18, and \$9.4 million increase in employee benefits, primarily due to increase in certificated salaries cost, as well as, the STRS On Behalf Pension Program. There was also an increase of \$7.6 million in books and supplies, primarily due to purchase of textbooks and technology supplies. The increase of \$4.0 million in services and other operating expense was primarily due to increase in sub agreements due to increase in transportation costs, and the increase in personal services agreement costs.

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

	<u>Original Budget</u>	<u>Actual</u>	<u>Original Budget to Actual Variance</u>
Revenues			
Local control funding formula sources	\$ 221,709,082	\$ 219,410,005	\$ (2,299,077)
Federal sources	13,194,032	15,294,394	2,100,362
Other state sources	22,131,824	39,180,251	17,048,427
Other local sources	<u>11,860,570</u>	<u>16,586,433</u>	<u>4,725,863</u>
Total Revenues	<u>268,895,508</u>	<u>290,471,083</u>	<u>21,575,575</u>
Expenditures			
Certificated salaries	124,963,223	129,268,019	4,304,796
Classified salaries	41,215,199	40,048,452	(1,166,747)
Employee benefits	70,665,451	80,029,361	9,363,910
Books and supplies	6,947,809	14,589,530	7,641,721
Services and other operating expenses	29,395,200	33,521,587	4,126,387
Capital outlay	156,342	688,645	532,303
Other outgo	743,570	710,883	(32,687)
Direct support - indirect costs	(401,000)	(495,960)	(94,960)
Debt service	<u>195,999</u>	<u>196,000</u>	<u>1</u>
Total Expenditures	<u>273,881,793</u>	<u>298,556,517</u>	<u>24,674,724</u>
Excess (deficiency) of revenues over expenditures	<u>(4,986,285)</u>	<u>(8,085,434)</u>	<u>(3,099,149)</u>
Other Financing Sources (Uses)			
Interfund transfers in	-	1,197,596	1,197,596
Interfund transfers out	<u>(1,873,773)</u>	<u>(3,554,032)</u>	<u>(1,680,259)</u>
Total Other Financing Sources (Uses)	<u>(1,873,773)</u>	<u>(2,356,436)</u>	<u>(482,663)</u>
Net change in fund balance	<u>\$ (6,860,058)</u>	(10,441,870)	<u>\$ (3,581,812)</u>
Fund Balance - Beginning of Year		<u>57,854,923</u>	
Fund Balance - End of Year		<u>\$ 47,413,053</u>	

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

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the District had \$275.5 million invested in net capital assets, net of associated debt, primarily related to school construction and other capital improvements.

Note 7 to the financial statements provides additional information on capital assets. A summary of capital assets is presented below:

	2017	2018
Land and Site Improvements	\$ 27,596,705	\$ 27,596,705
Buildings	596,915,541	655,967,343
Equipment and Vehicles	15,676,584	16,641,246
Work in Progress	59,051,802	38,518,762
Total	699,240,632	738,724,056
Less Accumulated Depreciation	(180,023,276)	(188,553,620)
Capital Assets, Net	\$ 519,217,356	\$ 550,170,436

Debt

Note 9 to the financial statements provides additional information on outstanding debt. A summary of the District’s outstanding debt at year-end is presented below:

	2017	2018
General Obligation Bonds	\$ 394,587,532	\$ 387,416,779
Clean Renewable Energy Bonds	14,994,483	14,501,556
City of Glendale Loan	1,302,035	1,158,117
Net Pension Liability	247,389,742	286,947,908
Postemployment healthcare benefits (OPEB) *	71,844,414	75,938,400
Early Retiree Benefits	745,325	-
Compensated Absences	3,214,581	3,391,897
Total long term liabilities	\$ 734,078,112	\$ 769,354,657

(*) The 2017 balance for OPEB has been adjusted for the change in accounting principle. See Note 18.

Economic Factors that may affect the Future

PROJECTED STUDENT AVERAGE DAILY ATTENDANCE - In the multi-year adopted budget plan District ADA is projected to increase in 2018-19 by 1.08% or 272 ADA. Student ADA is projected at 25,406 including 24,817 regular student ADA and 589 Special Education student ADA. In the most recent year, 2017-18, ADA increased 0.02% or 6 ADA from 2016-17. Due to an unexpected drop in enrollment in 2018-19, the ADA is projected to drop compared

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

to previously estimated multiyear budget plan. There will be budget adjustments made to the current and subsequent years.

<u>Year</u>	<u>P2 ADA *</u>	<u>Percent Growth %</u>
2001-02 (actual)	29,213	0.39%
2002-03 (actual)	28,788	-1.46%
2003-04 (actual)	28,361	-1.48%
2004-05 (actual)	27,656	-2.49%
2005-06 (actual)	26,821	-3.02%
2006-07 (actual)	26,394	-1.59%
2007-08 (actual)	26,033	-1.37%
2008-09 (actual)	25,765	-1.03%
2009-10 (actual)	25,501	-1.02%
2010-11 (actual)	25,303	-0.78%
2011-12 (actual)	25,371	0.27%
2012-13 (actual)	25,247	-0.49%
2013-14 (actual)	25,178	-0.27%
2014-15 (actual)	25,188	+0.40%
2015-16 (actual)	25,113	-0.29%
2016-17 (actual)	25,128	+0.06%
2017-18 (actual)	25,134	+0.02%
2018-19 (est.)	25,406	+1.08%
2019-20 (est.)	25,491	+0.33%
2020-21 (est.)	25,532	+0.16%

* Excluding excused absences

Note: The above figures reflect total District P2 ADA, including Special Education.

LOTTERY - Actual unrestricted lottery income in 2017-18 was \$156 per ADA. Currently, lottery income for years 2018-19 through 2020-21 is based on estimates from the California Department of Education and the Los Angeles County Office of Education. Projected unrestricted lottery income is now estimated at \$151 per ADA for 2018-19 and future years.

SPECIAL EDUCATION - The General Fund contribution in support of various Special Education programs in 2017-18 was approximately \$28.2 million. Additionally, the District contributed \$4.2 million to support Special Education Transportation.

ENDING FUND BALANCE PROJECTION - The District’s 2018-19 ending fund balance is projected to meet the required 3% contingency reserve requirement.

LOCAL CONTROL FUNDING FORMULA - For several decades, state school financing has been based on the Revenue Limit formula and other state categorical funding. However, in 2013-

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

14 the Governor and Legislature made a radical shift and replaced most of these old funding models with the new Local Control Funding Formula (LCFF). The Governor’s goals by creating the LCFF are to increase transparency, reduce complexity, reduce administrative burden, improve funding equity across school districts, and improve local accountability. To attain these goals, the LCFF eliminates revenue limits and almost all categorical programs (except those established by state initiative or federal statutes), establishes base grants for four grade spans, and establishes supplemental/concentration grants to provide supplemental services to low income and English learner students.

A school district’s LCFF entitlement will be based on three key elements as follows:

- A. Base funding
- B. Demographics of its student population
- C. State appropriation for LCFF

The funding basis under the LCFF shifts from a primarily Average Daily Attendance (ADA) model to one that places emphasis on the student population/demographics, in addition to, the District’s ADA. LCFF will be fully implemented and starting 2018-19 LCFF changes are COLA only changes.

In addition to adopting a new funding formula, the state establishes a set of new rules relating to “school district transparency and accountability”. Under the new rules, districts are required to adopt Local Control and Accountability Plans (LCAP) that disclose how funds will be spent to provide high-quality educational programs.

Funding allocated through the LCFF is largely unrestricted, but will be subject to comprehensive accountability requirements which are established in the Local Control Accountability Plan (LCAP).

The 2016-17 average funding per ADA was \$8,531 compared to 2017-18 of \$8,729 for an increase of \$198. The projected funding for 2018-19 is \$9,335, an additional increase of \$606.

The District’s 2017-18 Target Entitlement Calculation displays the per ADA components of the LCFF formula and what the District would have received at full implementation.

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

LCFF Factors
2017-18

Factors	K-3	4-6	7-8	9-12
Base grant per ADA	\$7,941.00	\$7,301.00	\$7,518.00	\$8,939.00
% Enrollment eligible	54.75%	54.75%	54.75%	54.75%
54.69% of Supplemental	\$869.54	\$799.46	\$823.22	\$978.82
.00% of Concentration (percentage above 55%)	\$0.00	\$0.00	\$0.00	\$0.00
Total 2017-18 LCFF Target Grant per ADA	\$8,810.54	\$8,100.46	\$8,341.22	\$9,917.82
ADA Grade Spans	7,934.37	5,703.63	3,833.06	7,689.95

Special Education, Child Nutrition, After School Education and Safety and other federally mandated programs remain outside of the LCFF formula. Transportation and TIIG funding continue as formula add-ons and the funding is frozen at the 2012-13 funding levels. Additionally, districts must expend no less on transportation than the amount expended in 2012-13.

LOCAL CONTROL AND ACCOUNTABILITY PLANS (LCAP) - In 2013-14, the state established a set of new rules relating to “school district transparency and accountability”. Under the new rules, districts are required to adopt Local Control and Accountability Plans (LCAP) that disclose how funds will be spent to provide high-quality educational programs. Districts that do not meet the goals stated in their plans and fail to improve educational outcomes receive assistance through support and intervention.

On or before July 1, 2014, and every year thereafter, districts must adopt a three year LCAP Plan using a template that was adopted by the State Board of Education. The state requires the LCAP to include the following items:

- A. Annual Goals - Based on state priorities for all students and numerically significant subgroups.
- B. Specific Actions - Steps the district will take to accomplish the annual goals, including districtwide actions and actions by the school site.

Description of Expenditures - For each fiscal year of the plan, list and describe expenditures implementing specific actions included in the LCAP. List and describe expenditures serving “unduplicated” students and students re-designated as fluent English proficient

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

The eight areas of state priority that must be addressed in the LCAP include the following:

- A. Student Achievement
- B. Student Engagement
- C. School Climate
- D. Basic Services
- E. Implementation of Common Core State Standards
- F. Parental Involvement
- G. Course Access
- H. Other Student Outcomes

The District's LCAP Goals are located on the web page (gusd.net). The District's 2018-19 LCAP goals have also become the Board Priorities as listed below:

1. Maximize Student Achievement.
2. Create a culture of learning.
3. Increase engagement.
4. Maintain District Solvency & Financial Responsibility

COMMON CORE STATE STANDARDS (CCSS) - In 2013-14, the State Budget provided \$1.25 billion statewide in one-time funds for the implementation of Common Core State Standards (CCSS). This resulted in approximately \$5.26 million in funding for the District to be utilized over a two year period, 2013-14 and 2014-15, and develop a spending/implementation plan to spend the funds for the following purposes:

- A. Professional Development - For teachers, administrators and paraprofessional educators or classified employees involved in the direct instruction of pupils that is aligned to the CCSS academic content standards.
- B. Instructional materials and supplemental instructional materials aligned to CCSS academic content standards.
- C. For the integration of the content standards through technology based instruction for the purposes of improving the academic performance of pupils including the administration of computer-based assessments and providing adequate internet connectivity to support the computer-based assessments.

In 2017-18 and 2018-19, the District continues to invest in the implementation of Common Core Standards through the Unrestricted General Fund, Teaching and Learning Program.

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

HEALTH AND WELFARE FUND – 67.0 – For the 2017-18 school year, the District “carved-out” the pharmaceutical services from the incumbent health care provider and is now self-funded. Pharmaceutical services continue to be administered by MedImpact effective October 1, 2017. Expenses and revenues of this program are allocated the same way as the vision and dental.

UNRESTRICTED GENERAL FUND – SOLVENCY PLAN – BUDGET SAVINGS – 2017-18 – In the 2018-19 June Budget Adoption, there were expenditure reductions for solvency savings projected at \$7.6 million for 2017-18 and another \$3.6 million in 2018-19 to ensure that the District will be solvent in the next three years. There will be future budget adjustments in 2018-19 to the multiyear projected budget due to a higher ending balance in 2017-18 compared to the estimated actuals, revised LCFF funding variables, and revised one-time discretionary funding. A board approved fiscal stabilization plan was submitted to Los Angeles County Office of Education (LACOE) with the 2018-19 Proposed Budget. In the fiscal stabilization plan, the Board of Education identified the specific areas to reduce, up to the \$3.6 million of ongoing expenditures and increased revenues.

A continuous analysis of the Solvency Savings Plan will be done to monitor the actual savings and to modify, change, or increase savings as needed.

Contacting the District’s Financial Management

This financial report is designed to provide the community, investors, creditors, etc. with a general overview of the District’s financial condition and to show the District’s accountability for the funding it receives. If you have questions regarding this report or need additional financial information, please contact Stephen Dickinson, Chief Business and Financial Officer, Glendale Unified School District, 223 North Jackson St., Glendale, California 91206.

FINANCIAL SECTION

GLENDALE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 209,543,653
Cash and cash equivalents	70,700
Cash with fiscal agent	799,304
Investments with refunding escrow agent	82,559,091
Accounts receivable	12,884,661
Inventories	197,367
Prepaid expenses	791,460
Land	12,698,972
Construction in progress	38,518,762
Depreciable assets, net	<u>498,952,702</u>
Total Assets	<u>857,016,672</u>
 <u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	4,731,299
Deferred outflows - OPEB	729,295
Deferred outflows - pensions	<u>85,449,888</u>
Total Deferred Outflows of Resources	<u>90,910,482</u>
 <u>Liabilities</u>	
Accounts payable and other current liabilities	37,776,287
Accrued interest	3,448,991
Unearned revenue	10,756,590
Estimated liability for open claims and incurred but not reported claims	3,055,893
Current portion of long-term liabilities	13,331,527
Non-current portion of long term liabilities	<u>756,023,130</u>
Total Liabilities	<u>824,392,418</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	<u>14,506,179</u>
Total Deferred Inflows of Resources	<u>14,506,179</u>
 <u>Net Position</u>	
Net investment in capital assets	273,713,515
Restricted for:	
Capital projects	12,481,673
Debt service	18,915,158
Educational programs	7,566,522
Other programs	7,542,525
Unrestricted	<u>(211,190,836)</u>
Total Net Position	<u>\$ 109,028,557</u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

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

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Total
Governmental Activities					
Instruction	\$ 218,048,798	\$ 6,389,704	\$ 43,374,664	\$ -	\$(168,284,430)
Instruction - related services	37,107,483	333,422	6,222,393	-	(30,551,668)
Pupil services	27,383,602	2,099,076	9,805,775	-	(15,478,751)
Ancillary services	1,779,523	-	36,311	-	(1,743,212)
Community services	513,044	-	2,410	-	(510,634)
Enterprise activities	1,206	156	41	-	(1,009)
General administration	14,970,954	97,527	1,050,094	-	(13,823,333)
Plant services	29,483,615	101,337	1,760,046	-	(27,622,232)
Other outgo	2,026,130	77,402	1,556,477	-	(392,251)
Debt service - interest	17,105,818	-	-	-	(17,105,818)
Depreciation (unallocated)	8,705,995	-	-	-	(8,705,995)
Total Governmental Activities	<u>\$ 357,126,168</u>	<u>\$ 9,098,624</u>	<u>\$ 63,808,211</u>	<u>\$ -</u>	<u>(284,219,333)</u>
General Revenues					
Property taxes levied for					
General purposes					77,367,711
Debt service					18,406,587
Other specific purposes					3,254,856
Federal and state aid not restricted to specific purposes					151,818,603
Interest and investment earnings					2,839,282
Miscellaneous					5,855,549
Total General Revenues					<u>259,542,588</u>
Change in net position					<u>(24,676,745)</u>
Net Position - Beginning of Year, as Originally Stated					186,941,494
Cumulative effect of change in accounting principle (See Note 18)					<u>(53,236,192)</u>
Net Position - Beginning of Year, after Cumulative Effect					<u>133,705,302</u>
Net Position - End of Year					<u>\$ 109,028,557</u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2018

	General Fund	Building Fund (#21.1 & #21.2)	Debt Service Fund (#56)	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 84,021,065	\$ 46,754,964	\$ 11,613,286	\$ 56,521,810	\$ 198,911,125
Cash in revolving fund	70,000	-	-	700	70,700
Cash with fiscal agent	-	174,304	-	-	174,304
Investments with refunding escrow agent	-	-	82,559,091	-	82,559,091
Accounts receivable	10,269,111	288,301	70,798	1,884,019	12,512,229
Inventories	80,096	-	-	117,271	197,367
Prepaid expenditures	761,480	-	-	-	761,480
Total Assets	<u>\$ 95,201,752</u>	<u>\$ 47,217,569</u>	<u>\$ 94,243,175</u>	<u>\$ 58,523,800</u>	<u>\$ 295,186,296</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 32,022,345	\$ 3,157,129	\$ -	\$ 1,218,197	\$ 36,397,671
Unearned revenue	10,559,276	-	-	197,314	10,756,590
Total Liabilities	<u>42,581,621</u>	<u>3,157,129</u>	<u>-</u>	<u>1,415,511</u>	<u>47,154,261</u>
Fund Balances					
Nonspendable	911,576	-	-	117,971	1,029,547
Restricted	7,300,028	44,060,440	82,559,091	30,698,111	164,617,670
Committed	5,207,078	-	-	-	5,207,078
Assigned	11,608,855	-	11,684,084	26,292,207	49,585,146
Unassigned	27,592,594	-	-	-	27,592,594
Total Fund Balances	<u>52,620,131</u>	<u>44,060,440</u>	<u>94,243,175</u>	<u>57,108,289</u>	<u>248,032,035</u>
Total Liabilities and Fund Balances	<u>\$ 95,201,752</u>	<u>\$ 47,217,569</u>	<u>\$ 94,243,175</u>	<u>\$ 58,523,800</u>	<u>\$ 295,186,296</u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2018

Total fund balances - governmental funds \$ 248,032,035

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

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

Land	\$ 12,698,972	
Construction in progress	38,518,762	
Depreciable assets, net	<u>498,952,702</u>	550,170,436

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

General obligation bonds	(387,416,779)	
Clean renewable energy bonds (CREB)	(14,501,556)	
City of Glendale loan	(1,158,117)	
Net pension liability	(286,947,908)	
Other postemployment benefits other than pensions (OPEB)	(75,938,400)	
Compensated absences	<u>(3,391,897)</u>	(769,354,657)

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

Deferred charge on refunding	4,731,299	
Deferred outflows - OPEB	729,295	
Deferred outflows - pensions	85,449,888	
Deferred inflows - pensions	<u>(14,506,179)</u>	76,404,303

An internal service funds is used by the District to cover the cost of self insured health programs, such as dental and vision benefits and workers' compensation. The assets and liabilities should be included with governmental activities. The fund consists of:

Assets	11,659,940	
Less: Liabilities	<u>(4,434,509)</u>	7,225,431

Interest expense related to general obligation bonds, CREB and City of Glendale loan was incurred but not accrued through June 30, 2018. (3,448,991)

Total net position - governmental activities 109,028,557

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund (#21.1 & #21.2)	Debt Service Fund (#56)	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources:					
State apportionments	\$ 142,042,293	\$ -	\$ -	\$ -	\$ 142,042,293
Local sources	<u>77,367,712</u>	-	-	-	<u>77,367,712</u>
Total local control funding formula sources	219,410,005	-	-	-	219,410,005
Federal sources	15,294,394	-	-	9,632,961	24,927,355
Other state sources	39,180,251	-	-	5,475,680	44,655,931
Other local sources	<u>16,666,746</u>	<u>1,053,104</u>	<u>(60,766)</u>	<u>23,355,641</u>	<u>41,014,725</u>
Total Revenues	<u>290,551,396</u>	<u>1,053,104</u>	<u>(60,766)</u>	<u>38,464,282</u>	<u>330,008,016</u>
Expenditures					
Instruction	204,132,188	-	-	4,159,977	208,292,165
Instruction - related services	34,891,009	-	-	534,161	35,425,170
Pupil services	17,075,331	-	-	9,513,284	26,588,615
Ancillary services	1,710,499	-	-	-	1,710,499
Community services	503,042	-	-	-	503,042
Enterprise activities	1,206	-	-	-	1,206
General administration	13,640,702	-	-	495,959	14,136,661
Plant services	25,695,657	39,552,864	-	2,269,839	67,518,360
Other outgo	710,883	-	-	1,315,247	2,026,130
Debt service	<u>196,000</u>	<u>-</u>	<u>1,554,600</u>	<u>22,373,431</u>	<u>24,124,031</u>
Total Expenditures	<u>298,556,517</u>	<u>39,552,864</u>	<u>1,554,600</u>	<u>40,661,898</u>	<u>380,325,879</u>
Deficiency of revenues over expenditures	<u>(8,005,121)</u>	<u>(38,499,760)</u>	<u>(1,615,366)</u>	<u>(2,197,616)</u>	<u>(50,317,863)</u>
Other Financing Sources (Uses)					
Interfund transfers in	1,197,596	1,700,740	-	3,554,032	6,452,368
Interfund transfers out	<u>(3,554,032)</u>	<u>-</u>	<u>(1,197,596)</u>	<u>(1,700,740)</u>	<u>(6,452,368)</u>
Total Other Financing Sources (Uses)	<u>(2,356,436)</u>	<u>1,700,740</u>	<u>(1,197,596)</u>	<u>1,853,292</u>	<u>-</u>
Net changes in fund balance	(10,361,557)	(36,799,020)	(2,812,962)	(344,324)	(50,317,863)
Fund Balances at Beginning of Year	<u>62,981,688</u>	<u>80,859,460</u>	<u>97,056,137</u>	<u>57,452,613</u>	<u>298,349,898</u>
Fund Balances at End of Year	<u>\$ 52,620,131</u>	<u>\$ 44,060,440</u>	<u>\$ 94,243,175</u>	<u>\$ 57,108,289</u>	<u>\$ 248,032,035</u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds \$ (50,317,863)

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

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

Capital outlay	39,659,075	
Depreciation expense	<u>(8,705,995)</u>	
Excess of capital outlay over depreciation expense		30,953,080

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bonds principal payments	12,235,000	
Clean renewable energy bonds principal payments	492,927	
City of Glendale loan principal payments	<u>143,918</u>	12,871,845

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was:

Net increase in deferred outflows of resources - pensions	31,895,906	
Net increase in net pension liability	<u>(39,558,166)</u>	
Net increase in deferred inflows of resources - pensions	<u>(2,217,509)</u>	(9,879,769)

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

Net increase in accrued interest	(177,556)	
Net increase in accreted interest	(6,492,262)	
Net increase in other postemployment benefits other than pensions (OPEB)	(4,093,986)	
Net decrease in early retirement incentive	745,325	
Net increase in compensated absences	(177,316)	
Net decrease in deferred charge on refunding bonds	(611,829)	
Net increase in deferred outflows of resources - OPEB	729,295	
Net increase in premium on general obligation bonds	<u>1,428,015</u>	(8,650,314)

An internal service fund is used by the District to charge the costs of self insured health programs, such as dental and vision. The net income of the internal service fund is reported with governmental activities.

346,276

Change in net position of governmental activities \$ (24,676,745)

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUND**

June 30, 2018

	Governmental Activities
	Self-Insurance Fund
<u>Assets</u>	
Cash in county treasury	\$ 10,632,528
Cash with fiscal agent	625,000
Accounts receivable	372,432
Prepaid expenses	29,980
Total Assets	<u>11,659,940</u>
<u>Liabilities</u>	
Liabilities	
Accounts payable	1,378,616
Estimated liability for open claims and incurred but not reported claims	<u>3,055,893</u>
Total Liabilities	<u>4,434,509</u>
<u>Net Position</u>	
Restricted	<u>7,225,431</u>
Total Net Position	<u>\$ 7,225,431</u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2018

	Governmental Activities <hr/> Self-Insurance Fund <hr/>
Operating Revenues	
Self-insurance premiums	\$ 15,366,405
Other local revenue	<u>559,801</u>
Total Operating Revenues	<u>15,926,206</u>
Operating Expenditures	
Services and other operating expenses	<u>15,693,119</u>
Total Operating Expenditures	<u>15,693,119</u>
Net operating income	<u>233,087</u>
Non-Operating Revenues	
Interest income	<u>113,189</u>
Total Non-Operating Revenues	<u>113,189</u>
Net income	<u>346,276</u>
Net Position at Beginning of Year	<u>6,879,155</u>
Net Position at End of Year	<u><u>\$ 7,225,431</u></u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

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

	Governmental Activities <hr/> Self-Insurance Fund <hr/>
Cash Flows from Operating Activities	
Cash received from premiums	\$ 15,346,140
Cash received from other revenues	285,562
Cash paid for claims and operating expenditures	<u>(14,787,895)</u>
Net cash used by operating activities	<u>843,807</u>
 Cash Flows from Investing Activities	
Interest income	<u>112,739</u>
Net cash provided by investing activities	<u>112,739</u>
 Net increase in cash	 956,546
Cash - July 1, 2017	<u>10,300,982</u>
Cash - June 30, 2018	<u><u>\$ 11,257,528</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
 Operating Income	 \$ 233,087
Changes in operating assets and liabilities:	
Accounts receivable	(294,504)
Prepaid expenses	-
Accounts payable	873,588
Estimated liability for open claims incurred but not recorded	<u>31,636</u>
Net cash provided by operating activities	<u><u>\$ 843,807</u></u>
 Cash balances at June 30, 2018 consisted of the following:	
Cash in county treasury	10,632,528
Cash with fiscal agent	<u>625,000</u>
Total cash	<u><u>\$ 11,257,528</u></u>

See accompanying notes to the financial statements.

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

	Foundation Trust Funds	Associated Student Body Funds
<u>Assets</u>		
Cash in county treasury	\$ 337,300	\$ -
Cash and cash equivalents	-	2,177,003
Accounts receivable	1,876	19,442
Inventories	-	82,147
Total Assets	339,176	2,278,592
<u>Liabilities</u>		
Accounts payable	\$ 2,862	\$ -
Funds held in trust		
Clubs and trusts	-	1,007,142
Associated student body	-	1,271,450
Total Liabilities	2,862	\$ 2,278,592
<u>Net Position</u>		
Restricted	332,045	
Unrestricted	4,269	
Total Net Position	\$ 336,314	

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2018

	Foundation Trust Funds
Additions	
Revenue from local sources	\$ 5,285
Total Additions	<u>5,285</u>
 Deductions	
Other expenses	<u>5,582</u>
Total Deductions	<u>5,582</u>
Changes in net position	(297)
 Net Position - Beginning of Year	 <u>336,611</u>
 Net Position - End of Year	 <u>\$ 336,314</u>

See accompanying notes to the financial statements.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

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

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

Government-Wide Financial Statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

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

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

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

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

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

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

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

Enterprise Activities: includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with self-insurance funds and retiree benefit funds.

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

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

Other Outgo: includes transfers to other agencies.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

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

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. The Deferred Maintenance Fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. Therefore, all activities of this fund are reported in the General Fund.

Building Fund #21.1 and #21.2: used to account for the construction projects funded by the proceeds of voter approved bonds.

Debt Service Fund #56: used to account for the payment of principal and interest on the Certificates of Participation issued in 1996 and the activity maintained by the District and U.S. Trust. Used to account for the proceeds of the 2015 General Obligation Refunding Bonds, Series B (2021 Crossover) held in escrow by U.S. Bank National Association and the activity maintained by the escrow agent until the crossover date. (See Note 10).

Governmental Funds – Non-Major

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

Special Education Pass-Through Fund #10: used by the Administrative Unit of the Foothill SELPA to account for Special Education revenue passed through to other member LEAs.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Child Development Fund #12: used to account for resources committed to child development programs.

Cafeteria Fund #13: used to account for revenues received and expenditures made to operate the District's cafeterias.

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

Capital Facilities Fund #25: used to account for resources received from residential and commercial developer impact fees.

County Schools Facilities Fund #35: used to account for the construction projects funded by School Facility Program grants award for modernization and new construction of various school sites.

Special Reserve Fund for Capital Outlay Projects #40.1 and #40.2: used to account for specific funds designated by the Board for capital outlay, major deferred maintenance, major equipment replacement needs and the modernization of cafeteria facilities.

Debt Service Funds: used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

Bond Interest and Redemption Fund #51: used to account for the payment of principal and interest on general obligation bonds.

Proprietary Funds

Self-Insurance Fund

Internal Service Fund: used to account for services rendered on a cost-reimbursement basis within the District. The District operates one internal service fund with three sub-funds as follows:

Medical Fund #67.0: used to account for resources committed to the District's medical insurance program.

Workers' Compensation Fund #67.1: used to account for resources committed to the District's self-insurance program for workers' compensation.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Early Retirement Benefits Fund #67.2: used to reserve for resources for the District's other postemployment benefits other than pensions (OPEB).

Fiduciary Funds

Foundation Trust Fund #73: used to account for income and restricted expenditures of trust monies donated for use by the Hoover High School Associated Student Body and the Michael F. Escalante Senior Scholarship Fund.

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

Agency Activities

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had a deficit cash balance in the County Treasury account amounting to (\$1,442,252) on June 30, 2018, due to prepayment of withholding payable.

Basis of Accounting

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and equivalents held with the refunding escrow agent have been classified as investments.

Receivables

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

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies and food held for consumption. At June 30, 2018, the inventory for supplies was \$80,096 and the inventory for food was \$117,271.

Prepaid Expenses/Expenditures

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

Capital Assets

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

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

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

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description	Estimated Lives
Buildings and improvements	20-50 years
Furniture and equipment	5-20 years
Vehicles	8 years

* The District has chosen not to begin depreciation on building improvements until the fiscal year after completion of the project

Depreciation expense has not been allocated to functions in the government-wide statement of activities.

Deferred Outflows of Resources

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

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

Deferred Outflows – OPEB: The deferred outflows of resources related to OPEB resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the plans and the difference between expected and actual experience. The deferred outflows – OPEB will be deferred and amortized as detailed in Note 14 to the financial statements.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. The deferred outflows – pensions will be deferred and amortized as detailed in Note 15 to the financial statements.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash is received for fees not earned.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium.

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

Net Pension Liability

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period.

Deferred Inflows – Pensions: The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 15 to the financial statements.

Net Position

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

Fund Balance Classification

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

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

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

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

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

but are neither restricted nor committed. The District's Board of Education, through a formal action has given authority to the Superintendent to assign amounts for a specific purpose that is neither restricted nor committed.

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

Spending Order Policy

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

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

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

State Apportionments

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

Property Taxes

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

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes have been accrued in the government-wide financial statements.

On-Behalf Payments

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

Contributed Services

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

Classification of Revenues – Proprietary Funds

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

Estimates

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

Reporting Entity

The District is the level of government primarily accountable for activities related to public

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

education. The governing authority consists of elected officials who, together, constitute the District Board of Education.

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

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

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

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

Based upon the application of the criteria listed above, the following potential component units have not been included in the District's reporting entity:

Los Angeles County Schools Regionalized Business Services Corporation: The corporation is a legally separate entity formed for the purpose of acquiring equipment and capital outlay and then leasing such items to the District and other participating districts. Only the activity related to the District has been included in these financial statements.

Glendale Educational Foundation: The foundation is a separate not-for profit corporation formed to enrich and enhance the programs and projects of the District. The foundation has been excluded as a component unit because the economic resources received and held by the foundation are not significant for financial reporting purposes to the District.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: BUDGETS

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

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

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

NOTE 3: DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Although the District does not have a deposit policy for custodial risk, the District has a practice to obtain collateralization letters from all depository institutions. As of June 30, 2018, \$3,298,313 of the District's bank balance of \$4,444,801 was exposed to credit risk as it was uninsured and collateral was held by the pledging bank's trust department, not in the District's name.

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 98.6604% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

Investments with Refunding Escrow Agent

The District's investment activity managed by the debt refunding escrow agent are governed by the Escrow Deposit and Trust Agreement (the Agreement). The Agreement defines the types of securities authorized, including term to manage interest rate risk, and credit quality and concentration to manage credit risk. Investments are selected to provide adequate earnings to pay interest due on the refunding bonds through and including the redemption date.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs. There are no Level 3 investments held by the refunding escrow agent.

As of June 30, 2018, the District's had the following investments held by the refunding escrow agent:

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 3: DEPOSITS AND INVESTMENTS

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Maturity</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents:				
Cash (Level 1)	n/a	n/a	\$ 90,996	\$ 90,996
Funding strips (Level 1)	n/a	2-3 years	42,984	42,579
Total cash and cash equivalents			<u>133,980</u>	<u>133,575</u>
Debt securities:				
U.S. Treasury bonds (Level 1)	n/a	3 years	1,887,477	1,942,244
Foreign bonds (Level 2)	Aaa / n/a	3 years	82,884,187	80,483,272
Total debt securities			<u>84,771,664</u>	<u>82,425,516</u>
Total investments			<u>\$ 84,905,644</u>	<u>\$ 82,559,091</u>

NOTE 4: ACCOUNTS RECEIVABLE

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

<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Building Fund (#21.1 & #21.2)</u>	<u>Debt Service Fund (#56)</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Self-Insurance Fund</u>	<u>Total Governmental Activities</u>
Federal and state	\$ 9,154,654	\$ -	\$ -	\$ 1,510,695	\$ 10,665,349	\$ -	\$ 10,665,349
Miscellaneous	1,114,457	288,301	70,798	373,324	1,846,880	372,432	2,219,312
Total accounts receivable	<u>\$ 10,269,111</u>	<u>\$ 288,301</u>	<u>\$ 70,798</u>	<u>\$ 1,884,019</u>	<u>\$ 12,512,229</u>	<u>\$ 372,432</u>	<u>\$ 12,884,661</u>
						<u>Fiduciary Fund Foundation Trust</u>	<u>Associated Student Body Funds</u>
<u>Accounts Receivable</u>							
Federal and state						\$ -	\$ -
Miscellaneous						1,876	19,442
Total accounts receivable						<u>\$ 1,876</u>	<u>\$ 19,442</u>

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

NOTE 5: INTERFUND TRANSACTIONS

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

Interfund Transfers

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

Interfund transfers for the 2017-2018 fiscal year are as follows:

Transfer from the General Fund to the Child Development Fund (12) to support the child development programs.	\$ 496,542
Transfer from the General Fund to the Cafeteria Fund (13) to support the Free and Reduced Lunch Program.	52,419
Transfer from the County School Facilities Fund (35) to the Building Fund (21.1) for prior year's interest for Measure S Projects.	740
Transfer from the General Fund to the Capital Project and Improvement Fund (40.1) for San Fernando Corridor Redevelopment Agency.	1,463,111
Transfer from the General Fund to the Capital Project and Improvement Fund (40.1) for Central Redevelopment Agency.	1,541,960
Transfer from the Capital Facilities Fund (25) to the Measure S Project Fund (21.1) to support Dunsmore Elementary School Portables Project.	1,700,000
Transfer from the Debt Service Fund (56) to the General Fund to support a portion of the textbook purchases.	<u>1,197,596</u>
Total	<u><u>\$ 6,452,368</u></u>

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 6: FUND BALANCES

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

	General Fund	Building Fund (#21.1 & #21.2)	Debt Service Fund (#56)	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Cash in revolving fund	\$ 70,000	\$ -	\$ -	\$ 700	\$ 70,700
Inventories	80,096	-	-	117,271	197,367
Prepaid expenditures	761,480	-	-	-	761,480
Total nonspendable	<u>911,576</u>	<u>-</u>	<u>-</u>	<u>117,971</u>	<u>1,029,547</u>
Restricted:					
Legally restricted programs	7,300,028	-	-	583,588	7,883,616
Capital projects	-	44,060,440	-	12,481,673	56,542,113
Debt service	-	-	82,559,091	17,632,850	100,191,941
Total restricted	<u>7,300,028</u>	<u>44,060,440</u>	<u>82,559,091</u>	<u>30,698,111</u>	<u>164,617,670</u>
Committed:					
Deferred maintenance program	5,207,078	-	-	-	5,207,078
Total committed	<u>5,207,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,207,078</u>
Assigned:					
Future LACOE System Charges	1,120,000	-	-	-	1,120,000
Regular Carry-overs & MAA	6,059,745	-	-	-	6,059,745
2017-18 CSEA 1.5% Salary Increase	651,962	-	-	-	651,962
One-Time 2017-18/Discretionary Funding	3,575,923	-	-	-	3,575,923
2018-19 FASO Wall Costs	201,225	-	-	-	201,225
Child development program	-	-	-	32,010	32,010
Cafeteria program	-	-	-	3,529,053	3,529,053
Capital projects	-	-	-	22,731,144	22,731,144
Debt service	-	-	11,684,084	-	11,684,084
Total assigned	<u>11,608,855</u>	<u>-</u>	<u>11,684,084</u>	<u>26,292,207</u>	<u>49,585,146</u>
Unassigned:					
Economic uncertainties	9,063,316	-	-	-	9,063,316
Unassigned	18,529,278	-	-	-	18,529,278
Total unassigned	<u>27,592,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,592,594</u>
Total fund balance	<u>\$ 52,620,131</u>	<u>\$ 44,060,440</u>	<u>\$ 94,243,175</u>	<u>\$ 57,108,289</u>	<u>\$ 248,032,035</u>

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

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

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 12,698,972	\$ -	\$ -	\$ 12,698,972
Construction in progress	59,051,802	38,518,762	59,051,802	38,518,762
Total capital assets not being depreciated	<u>71,750,774</u>	<u>38,518,762</u>	<u>59,051,802</u>	<u>51,217,734</u>
Capital assets being depreciated:				
Site improvements	14,897,733	-	-	14,897,733
Buildings	596,915,541	59,051,802	-	655,967,343
Equipment	14,123,792	1,140,313	-	15,264,105
Vehicles	1,552,792	-	175,651	1,377,141
Total capital assets being depreciated	<u>627,489,858</u>	<u>60,192,115</u>	<u>175,651</u>	<u>687,506,322</u>
Less accumulated depreciation for:				
Site improvements	14,837,249	36,283	-	14,873,532
Buildings	152,000,998	8,197,635	-	160,198,633
Equipment and vehicles	13,185,029	472,077	175,651	13,481,455
Total accumulated depreciation	<u>180,023,276</u>	<u>8,705,995</u>	<u>175,651</u>	<u>188,553,620</u>
Depreciable assets, net	<u>447,466,582</u>	<u>51,486,120</u>	-	<u>498,952,702</u>
Governmental activities capital assets, net	<u>\$ 519,217,356</u>	<u>\$ 90,004,882</u>	<u>\$ 59,051,802</u>	<u>\$ 550,170,436</u>

NOTE 8: LEASE INCOME

The District entered into an agreement to lease the Field School site property to Glen Field Properties, Ltd. effective December 23, 1985. Effective July 12, 2001, the lease was reassigned to Archstone Communities Trust. The term of the lease is 65 years ending December 2050. The rental income received in the 2017-2018 fiscal year was \$1,137,324.

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

NOTE 9: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance			Balance		Amount Due in
	July 1, 2017	Additions	Reductions	June 30, 2018	One Year	
General obligation bonds	\$ 355,860,548	\$ -	\$ 12,235,000	\$ 343,625,548	\$ 12,355,000	
Capital appreciation interest	22,239,711	6,492,262	-	28,731,973	-	
Premium on general obligation bonds	16,487,273	-	1,428,015	15,059,258	-	
Total general obligation bonds	394,587,532	6,492,262	13,663,015	387,416,779	12,355,000	
Clean renewable energy bonds	14,994,483	-	492,927	14,501,556	806,852	
City of Glendale loan	1,302,035	-	143,918	1,158,117	169,675	
Net pension liability	247,389,742	39,558,166	-	286,947,908	-	
Net OPEB obligation *	71,844,414	4,093,986	-	75,938,400	-	
Early retirement incentive	745,325	-	745,325	-	-	
Compensated absences	3,214,581	177,316	-	3,391,897	-	
Total	<u>\$ 734,078,112</u>	<u>\$ 50,321,730</u>	<u>\$ 15,045,185</u>	<u>\$ 769,354,657</u>	<u>\$ 13,331,527</u>	

* The July 1, 2017 balance has been restated by \$53,236,192 for the cumulative effect of the adoption of Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This includes the District's Postemployment Medical Benefits Plan and the Medicare Premium Payment Program. See Note 18.

The City of Glendale loan, net pension liability, early retiree incentive and compensated absences are liquidated by the General Fund. The postemployment healthcare benefits are liquidated through the Self-Insurance Fund. The general obligation bonds are liquidated through property tax collections as administered by the county. The clean renewable energy bonds are liquidated by the Special Reserve Fund for Capital Outlay Projects.

NOTE 10: GENERAL OBLIGATION BONDS

On June 3, 1997, the voters approved the issuance of bonds (Measure K), not to exceed \$186,000,000 for the construction, improvement, alteration and rebuilding of education facilities within the District.

Between 1997 and 2004, the District issued bonds, Series A through G, totaling \$186,000,000. In 2009-2010, the District issued two refunding bonds (Refunding Bonds 2009 and 2010) to current refund Series A, B and C and advance refund portions of Series D. In 2011-2012, the District issued two refunding bonds (Refunding Bonds 2011 and 2012) to advance refund portions of Series E, F and G.

On April 5, 2011, the voters approved the issuance of bonds (Measure S), not to exceed \$270,000,000 for the construction, improvement, alteration and rebuilding of education facilities within the District.

GLENDALE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 10: GENERAL OBLIGATION BONDS

On August 4, 2011, the District issued Series A, A-1 and A-2, totaling \$53,999,985. Series A-1 was issued as “New Clean Renewable Energy Bonds” and intends they be “Specified Tax Credit Bonds” which makes the District eligible for a refundable credit from the United States Treasury. On August 26, 2014, the District issued Series B, totaling \$70,000,000.

On October 14, 2015, the District issued \$17,175,000 of 2015 Refunding Bonds, Series A. The proceeds were used to advance refund a portion of the District’s outstanding 2009 Refunding Bonds through the deposit of the proceeds, including a premium of \$3,098,958 to an escrow fund. The principal balance of \$17,175,000 will be redeemed in full on September 1, 2019, by the refunding escrow agent.

On October 14, 2015, the District issued \$84,830,563 of 2015 Refunding Bonds, Series B (2021 Crossover). The District intends to apply the net proceeds of the sale of the bonds on the crossover date, 9/1/2021, at a redemption price equal to the outstanding principal thereof, plus accreted interest to the 2011 Bonds, Series A (2011 Refunding Bonds). Until the crossover date, the net proceeds of the 2021 Crossover Bonds will be held with a fiscal agent and invested in certain federal securities that will provide for the payment of interest on the bonds through the crossover date. On the crossover date, funds on deposit with the fiscal agent will be applied to the redemption of the 2011 Refunded Bonds.

On August 18, 2016, the District sold \$70 million of General Obligation Bonds (Measure S), Series C. The bonds were sold with an interest rate of 2.0% to 4.0% and have a final maturity in September 2039.

The balance of all of the bonds refunded was \$9,260,500 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$611,829 was recognized during 2017-2018.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 10: GENERAL OBLIGATION BONDS

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

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Measure K:					
Refunding Bonds					
2009	12/1/2009	9/1/2019	3.00-5.00	\$ 46,750,000	\$ 7,420,000
2010	6/3/2010	9/1/2026	0.09-5.00	28,250,000	18,735,000
2011	7/28/2011	9/1/2027	2.00-5.00	21,555,000	15,595,000
2012	3/14/2012	9/1/2029	2.00-4.25	22,930,000	22,615,000
2015	10/14/2015	9/1/2024	4.00-5.00	17,175,000	17,020,000
Total Measure K				<u>136,660,000</u>	<u>81,385,000</u>
Measure S:					
Series A	8/4/2011	9/1/2041	4.45-7.00	46,879,985	46,879,985
Series A-1	8/4/2011	9/1/2027	4.70	4,300,000	4,300,000
Series B	8/26/2014	9/1/2039	2.00-5.00	70,000,000	61,595,000
Series C	8/18/2016	9/1/2039	2.00-3.00	70,000,000	64,635,000
Refunding Bonds					
2015 Series B	10/14/2015	9/1/2041	3.00-4.00	84,830,563	84,830,563
Total Measure S				<u>276,010,548</u>	<u>262,240,548</u>
Total				<u>\$ 412,670,548</u>	<u>\$ 343,625,548</u>

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

Year Ending June 30,	Principal	Interest	Accreted Interest	Interest Subsidy
2019	\$ 12,355,000	\$ 10,073,469	\$ -	\$ (142,674)
2020	9,090,000	9,647,019	-	(142,674)
2021	9,475,000	9,220,431	-	(142,674)
2022	9,458,601	8,790,131	746,399	(142,674)
2023	10,305,157	8,337,206	644,843	(142,674)
2024-2028	59,434,927	35,357,494	11,420,073	(642,033)
2029-2033	70,299,843	26,142,740	51,150,157	-
2034-2038	84,385,081	17,676,925	80,994,919	-
2039-2042	78,821,939	4,988,950	61,103,061	-
Total	<u>\$ 343,625,548</u>	<u>\$ 130,234,365</u>	<u>\$ 206,059,452</u>	<u>\$ (1,355,403)</u>

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 11: CLEAN RENEWABLE ENERGY BONDS (CREBS)

On October 1, 2012 the District entered into a long-term lease agreement to provide for the financing of the acquisition, construction and installation of solar photovoltaic systems at several school sites. The agreement is between the District as the “lessee” and the Public Property Financing Corporation of California, as the “lessor”. The lessor’s funds for acquiring these items were generated by the issuance of \$5,380,000 of Clean Renewable Energy Bonds (CREBS). The lease was issued with an effective interest rate of 4.32%. CREBS are long-term debt instruments which provide federal tax credits in lieu of a portion of the traditional bond interest, resulting in a lower effective interest rate for the borrower.

On October 18, 2016, the District issued \$10,925,000 of Clean Renewable Energy Bonds (“CREBS”) to wholly finance the turn-key procurement of solar photovoltaic facilities to be constructed at nine District campuses, with an aggregate generation capacity of approximately 2.44 megawatts (the “2016 Solar Project”). The CREBS will be repaid over a term of 17.4 years at a net effective interest rate (after federal subsidy) of 0.574%. The District entered into contracts with SunPower Corporation for the design, permitting, construction, operation and maintenance of the 2016 Solar Project Phase 5, and the construction is estimated to end March 31, 2019.

The annual debt service requirements to maturity for CREBS are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 806,852	\$ 523,346
2020	830,829	492,734
2021	855,857	461,256
2022	880,938	428,883
2023	906,072	395,612
2024-2028	4,942,273	1,445,721
2029-2033	4,415,735	547,087
2034	863,000	22,201
Total	<u>\$ 14,501,556</u>	<u>\$ 4,316,840</u>

NOTE 12: CITY OF GLENDALE LOAN

The District entered into a loan with the City of Glendale in 2006 to provide financing for the Glendale High School athletic field project. The loan of \$1,800,000 has a stated interest rate of 4.0%.

The annual debt service requirements to maturity for the City of Glendale loan are as follows:

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

NOTE 12: CITY OF GLENDALE LOAN

Year Ending June 30,	Principal	Interest
2019	\$ 169,675	\$ 46,325
2020	197,462	39,538
2021	226,361	31,639
2022	256,415	22,585
2023	288,672	12,328
2024	19,532	782
Total	<u>\$ 1,158,117</u>	<u>\$ 153,197</u>

NOTE 13: EARLY RETIREMENT BENEFITS

In 2012-2013, the District elected to provide a voluntary early retirement program for 121 qualified employees. For certificated employees, the employee must be at least age 55 with 5 years of District service or age 50 with 30 years of service. For classified employees, the employee must be at least age 50 with 5 years of District service. The employee will receive contributions that equal 50% of the employees' final base pay.

The final contribution to the retirement plan for retirees of \$745,325 was paid in 2017-18.

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

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

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Benefits Plan	\$ 74,970,772	\$ 729,295	\$ -	\$ 6,562,696
Medicare Premium Payment Program	967,628	-	-	(41,831)
Total OPEB Plans	<u>\$ 75,938,400</u>	<u>\$ 729,295</u>	<u>\$ -</u>	<u>\$ 6,520,865</u>

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

Retiree Health Plan

Plan Description and Eligibility

Teachers who retire from the District are eligible for postemployment medical, dental and vision pursuant to the provisions below:

- Retirees aged 55 to 65 with at least 10 years of service, who were designated as Teachers at retirement, are offered a subsidy by the District for medical coverage for the retiree and his or her dependent(s). Dental and vision coverage is subsidized by the District for the retiree only.

Management who retire from the District are eligible for postemployment medical, dental and vision pursuant to the provisions below:

- Retirees aged 55 to 65 with at least 9 years of service, who were designated as Management at retirement, are offered a subsidy by the District for medical coverage for the retiree and his or her dependent(s). Dental and vision coverage is subsidized by the District for the retiree only.
- As of the valuation date, one management retiree is receiving a lifetime subsidy equal to the actual cost of his healthcare benefits, per a contract agreement.

Classified staff who retire from the District are eligible for postemployment medical and dental pursuant to the provisions below:

- Retirees aged 55 to 65 with at least 9 years of service, who were designated as Classified at retirement, are offered a subsidy by the District for medical and dental coverage for the retiree only. The District offers a subsidy for dependents of retirees enrolled in a specific dental plan sponsored by the District.
- Part-time employee's subsidy is prorated based on a percent of scheduled hours worked, not less than 50% of a full-time equivalent.

Board Members elected prior to January 1, 1995, who retire from the District are eligible for postemployment medical and dental pursuant to the provisions below:

- Retirees aged 55 to 65 with at least 12 years of service, who were designated as Board Members at retirement, are offered a subsidy by the District for medical coverage for the retiree and his or her dependent(s). Dental coverage is subsidized by the District for the retiree only.

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

Membership in the Retiree Health Plan consists of 168 retirees and beneficiaries currently receiving benefits and 2,036 active members. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes for retirees the costs of current year premiums up to the amount paid for active employees. For the year ended June 30, 2018, the District contributed \$3,089,184 to the plan which includes an implicit rate subsidy.

Actuarial Methods and Assumptions

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2018. The following actuarial assumptions used in the June 30, 2018 valuation applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Salary Increases	3.00%
Healthcare Costs Trend Rate	5.00%

Mortality assumptions are based on the 2015 CalSTRS Retiree and Active Mortality tables for Certificated employee types as applicable and 2014 CalPERS Retiree and Active Mortality tables for Miscellaneous Employees, as applicable for Classified Employee types. CalSTRS and CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. These table incorporates mortality projection as deemed appropriate based on CalSTRS and CalPERS analysis.

Discount Rate

The discount rate used to measure the OPEB liability was 2.98%. The projection of cash flows used to determine the discount rate was based on the Bond Buyer 20 Bond Index. There are no plan assets.

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

Changes in the Total OPEB Liability

Total OPEB Liability - Retiree Health Plan	2018
Balance at June 30, 2017	\$ <u>70,767,965</u>
Changes for the year	
Service cost	4,165,618
Interest cost	2,297,448
Changes in assumptions	828,925
Expected benefit payments	<u>(3,089,184)</u>
Net changes	<u>4,202,807</u>
Balance at June 30, 2018	<u>\$ 74,970,772</u>

Sensitivity

The following presents the District's OPEB liability calculated using the discount rate of 2.98%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98%) or one percentage point higher (3.98%) than the current rate:

Discount rate	Total OPEB Liability
1% decrease	\$ 80,755,947
Current discount rate	74,970,772
1% increase	69,464,424

The following presents the District's OPEB liability calculated using the healthcare cost trend rate of 5.00%, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

Healthcare trend rate	Total OPEB Liability
1% decrease	\$ 66,781,000
Current healthcare trend rate	74,970,772
1% increase	84,542,445

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

Amortization of Deferred Outflows of Resources

The deferred outflows of resources related to OPEB resulted from changes in actuarial assumptions which will be amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the plan from the June 30, 2018 measurement date is 8.3 years. The first year of amortization is recognized in OPEB expense for the year the change occurs. The remaining amount will be recognized to OPEB expense as follows:

Fiscal Year Ending June 30,	Amortization
2018	\$ 99,630
2019	99,630
2020	99,630
2021	99,630
2022	99,630
Thereafter	231,145
Total	<u>\$ 729,295</u>

Medicare Premium Payment Program (MPP)

Plan Description and Eligibility

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

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

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

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

Funding Policy

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

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

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

Net OPEB Liability

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

	Balance June 30, 2017
Proportionate Share of OPEB Liability	
Total OPEB liability	\$ 967,724
Plan fiduciary net position	(96)
District's net OPEB liability	\$ 967,628

Given the nature of the MPP Program, not all employers have eligible participants. The program is also closed to any members retired after July 1, 2012. As such, the District elected to calculate their proportionate share based on Schedule D of the audited proportionate share schedules of the

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

MPP Program. This schedule presents current year Medicare Part A premiums and Medicare Part A and B surcharges paid or payable to the Centers for Medicare and Medicaid Services (CMS). Medicare premiums and surcharges paid or payable to CMS are aggregated for eligible program beneficiaries based on their last contributing employer prior to retirement to establish the basis of the proportionate share calculation. At June 30, 2017, the District's proportion was 0.230%.

Actuarial assumptions

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

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

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (for example, Medicare premiums) and assumptions about the probability of occurrence of events far

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

into the future (for example, mortality, disabilities and retirees eligible for the program). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Discount Rate

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

Sensitivity

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

<u>Discount rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.58%)	\$ 866,851
Current discount rate (3.58%)	967,628
1% increase (4.58%)	1,071,232

Medicare Costs Trend Rate

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

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 14: POST EMPLOYMENT HEALTHCARE BENEFITS

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

Healthcare trend rate	Net OPEB Liability
1% decrease (2.7% Part A, 3.1% Part B)	\$ 874,401
Current healthcare trend rate (3.7% Part A, 4.1% Part B)	967,628
1% increase (4.7% Part A, 5.1% Part B)	1,059,926

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

MPP Program Net OPEB Liability

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

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

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

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 212,704,000	\$ 62,687,381	\$ 12,550,672	\$ 21,815,912
CalPERS (Schools Pool Plan)	74,243,908	22,762,507	1,955,507	12,866,431
Total	\$ 286,947,908	\$ 85,449,888	\$ 14,506,179	\$ 34,682,343

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

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

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

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

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

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were \$18,333,339.

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:

	Balance
Proportionate Share of Net Pension Liability	June 30, 2018
District proportionate share of net pension liability	\$ 212,704,000
State's proportionate share of the net pension liability associated with the District	125,834,915
Total	\$ 338,538,915

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.2300%.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2018, the District recognized pension expense of \$21,815,912. In addition, the District recognized revenue and corresponding expense of \$12,666,492 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 18,333,339	\$ -
Differences between expected and actual experience	786,600	3,709,900
Changes of assumptions	39,405,900	-
Changes in proportion	4,161,542	3,175,872
Net differences between projected and actual earnings on pension plan investments	-	5,664,900
Total	\$ 62,687,381	\$ 12,550,672

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

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

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

Year Ending June 30,	Amortization
2019	\$ 1,566,290
2020	9,839,390
2021	6,789,591
2022	1,242,755
2023	5,666,594
2024	6,698,750
Total	\$ 31,803,370

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	\$ 312,317,000
Current discount rate (7.10%)	212,704,000
1% increase (8.10%)	131,861,300

Changes of Assumptions

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

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

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

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were \$6,318,469.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$74,243,908. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.3110%.

For the year ended June 30, 2018, the District recognized pension expense of \$12,866,431. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,318,469	\$ -
Differences between expected and actual experience	2,659,853	-
Changes of assumptions	10,844,491	874,130
Changes in proportion	371,363	1,081,377
Net differences between projected and actual earnings on pension plan investments	2,568,331	-
Total	\$ 22,762,507	\$ 1,955,507

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

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

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

Year Ending June 30,	Amortization
2019	\$ 3,994,654
2020	6,779,208
2021	5,120,771
2022	(1,406,418)
Total	\$ 14,488,215

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

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

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

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

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

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

NOTE 15: EMPLOYEE RETIREMENT PLANS

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 109,236,580
Current discount rate (7.15%)	74,243,908
1% increase (8.15%)	45,214,556

Changes of Assumptions

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

Plan Fiduciary Net Position

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

NOTE 16: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established an Internal Service Fund to account for and finance certain employee benefits.

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

NOTE 16: RISK MANAGEMENT

The following provides a brief description for each coverage provided through the Internal Service Fund:

Dental

Dental benefits are provided on a self-funded basis.

All eligible employees of the District participate in the program and the District makes payments to the fund based on a maximum annual benefit of \$1,500 per member. This amount is estimated to be sufficient to pay prior and current year claims and to establish a reserve for catastrophic losses.

Vision

Vision benefits are provided on a self-funded basis.

All eligible employees of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Prescription

In 2017-18, the District "carved-out" the pharmaceutical services from the incumbent health care provider and is now self-funded, based on the decision and recommendation of the District's Benefits Committee. Pharmaceutical services were administered by MedImpact effective October 1, 2017. Expenses and revenues of this program are allocated the same way as the vision and dental. The budget to fund this expense is approximately \$5.3 million.

Workers' Compensation

The Self-Insurance Fund provides coverage for up to a maximum of \$250,000 – \$750,000 dependent upon the original claim year prior to June 30, 2005. Beginning July 1, 2005 the District is fully insured for worker's compensation. The District purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Funding of the self-insured open claims is based upon a settlement from the Schools Linked for Insurance Management (SLIM) joint powers agreement when the District withdrew in 2008-2009. Additional funding for the Self-Insurance Fund is based on estimates of the amounts needed to pay current year premiums to ASCIP, a JPA.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 16: RISK MANAGEMENT

Claims Liability

At June 30, 2018, the District accrued the claims liability in accordance with GAAP which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amount of liability is estimated at \$3,055,893. Changes in the reported liability are as shown below:

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in		Ending Fiscal Year Liability
		Estimates	Claim Payments	
Dental	\$ 264,638	\$ 2,574,981	\$ 2,569,874	\$ 269,745
VSP	28,619	336,593	336,952	28,260
Prescription	-	6,266,394	5,885,506	380,888
Workers' Compensation	2,731,000	(101,636)	252,364	2,377,000
	<u>\$ 3,024,257</u>	<u>\$ 9,076,332</u>	<u>\$ 9,044,696</u>	<u>\$ 3,055,893</u>

NOTE 17: JOINT POWERS AGREEMENTS

The District participates in two joint power agreement (JPA) entities, West San Gabriel Valley Liability and Property Joint Powers Authority (WSGLPJA) and Alliance of Schools for Cooperative Insurance Programs (ASCIP). WSGLPJA provides the participating districts with liability and property damage insurance; and ASCIP handles insurance coverage for health benefits for District employees

Each JPA is governed by a board consisting of a representative from certain member districts. Each governing board controls the operations of its JPA independent of any influence by the District beyond any representation the District may have on the governing boards.

Each JPA is independently accountable for its fiscal matters. Each JPA maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

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

NOTE 17: JOINT POWERS AGREEMENTS

Condensed financial information is as follows:

	WSGLPJPA (Audited)	ASCIP (Unaudited)
<u>JPA Condensed Financial Information</u>	<u>June 30, 2018</u>	<u>June 30, 2018</u>
Total assets and deferred outflows of resources	\$ 13,775,187	\$ 456,430,170
Total liabilities and deferred inflows of resources	<u>1,755,288</u>	<u>252,027,535</u>
Net position	<u>\$ 12,019,899</u>	<u>\$ 204,402,635</u>
Total revenue	\$ 3,921,653	\$ 261,987,745
Total expenses	<u>4,480,284</u>	<u>251,547,168</u>
Change in net position	<u>\$ (558,631)</u>	<u>\$ 10,440,577</u>

NOTE 18: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the basic financial statements has been restated by a reduction of \$53,236,192 in the Statement of Activities to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

NOTE 19: COMMITMENTS AND CONTINGENCIES

Litigation

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

State and Federal Allowances, Awards, and Grants

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

County School Facilities Funds

The District is currently involved in several modernization projects funded through the County School Facilities Fund. These projects are subject to future audits by the state, which may result in adjustments to the fund.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 19: COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$12 million. Projects will be funded through general obligation bond proceeds, County School Facilities funds, Capital Facilities funds, Special Reserve Fund for Capital Outlay funds, and General funds.

NOTE 20: SUBSEQUENT EVENTS

General Obligation Bonds

The District issued for sale \$38,000,000 of Series D General Obligation Bonds (Election 2011) on September 27, 2018 to finance the construction, renovation, modernization and equipping of school facilities. The bonds were issued as Current Interest bonds and accrue interest at a rate of 3.375%-4.0%. The bonds mature beginning September 1, 2019 with a final maturity on September 1, 2039.

Refunding Bonds

The District will sell \$12,885,000 of Refunding General Obligation Bonds on or about June 4, 2020. The bonds will be sold with an interest rate of 5.0% and will mature beginning September 1, 2020 through September 1, 2026. The bonds will be sold to refund \$13,360,000 of the 2010 Refunding Bonds.

Real Property Exchange Agreement

The Board of Education, at its meeting on August 15, 2017, and as subsequently amended, approved an Exchange Agreement with Carmel Partners Realty Investors, LLC (Carmel Partners) providing for the exchange of District-owned property located at 223 N. Jackson Street and 316 W. Palmer Avenue in Glendale, California ("District Property") for property owned by Carmel Partners at 425 East Colorado Street, Glendale, California ("Carmel Property"). The District will pay \$6,950,000 to Carmel Partners at the close of escrow. In addition, the District will transfer all rents from the Carmel Property, commencing on the close of escrow up to an amount equal to \$1,350,000. At the close of escrow the District and Carmel Property will enter in to a lease agreement for a limited period of time, not to exceed sixteen months, at \$62,500 per month. This agreement will allow the District to transition its administrative activities to the new property. As of the date of this report, the land swap transaction is pending the city's approval of Carmel Partners' plan. There have been multiple amendments to the agreement due to construction plan changes. There is a possibility that a new agreement will be written and approved due to the changes in the scope of work.

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

NOTE 20: SUBSEQUENT EVENTS

Collective Bargaining Agreements

The Board settled negotiations with the California School Employees Association in November 2018, and, therefore, settlement costs are not part of these financial statements. The estimated cost for the 2017-18 fiscal year is \$652 thousand for this employee group.

The ending fund balance as of June 30, 2018, includes a designation of \$651,952 to cover the 2017-18 settlement.

NOTE 21: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, that have effective dates that will impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 83 – Certain Asset Retirement Obligations

Issued in November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2019-20.

Statement No. 84 – Fiduciary Activities

Issued in January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiary with whom a fiduciary relationship exists. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – Leases

This statement was issued in June 2017 and addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a

GLENDALE UNIFIED SCHOOL DISTRICT

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

**NOTE 21: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

lease receivable and a deferred inflow of resources. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

REQUIRED SUPPLEMENTARY INFORMATION

GLENDALE UNIFIED SCHOOL DISTRICT

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

	Budgetary Amounts - General			(a) Fund Basis	
	Fund		Actual Amounts	to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	\$ 156,268,731	\$ 154,403,653	\$ 142,042,293	\$ -	\$ 142,042,293
Local sources	<u>65,440,351</u>	<u>65,440,351</u>	<u>77,367,712</u>	-	<u>77,367,712</u>
Total local control funding formula sources:	221,709,082	219,844,004	219,410,005	-	219,410,005
Federal sources	13,194,032	17,569,918	15,294,394	-	15,294,394
Other state sources	22,131,824	26,401,893	39,180,251	-	39,180,251
Other local sources	<u>11,860,570</u>	<u>15,092,580</u>	<u>16,586,433</u>	<u>80,313</u>	<u>16,666,746</u>
Total Revenues	<u>268,895,508</u>	<u>278,908,395</u>	<u>290,471,083</u>	<u>80,313</u>	<u>290,551,396</u>
Expenditures					
Certificated salaries	124,963,223	133,796,041	129,268,019	-	129,268,019
Classified salaries	41,215,199	42,082,920	40,048,452	-	40,048,452
Employee benefits	70,665,451	72,421,194	80,029,361	-	80,029,361
Books and supplies	6,947,809	14,637,294	14,589,530	-	14,589,530
Services and other operating expenditures	29,395,200	32,715,371	33,521,587	-	33,521,587
Capital outlay	156,342	1,016,151	688,645	-	688,645
Other outgo	743,570	743,570	710,883	-	710,883
Direct support - indirect cost	(401,000)	(243,590)	(495,960)	-	(495,960)
Debt service	<u>195,999</u>	<u>195,999</u>	<u>196,000</u>	-	<u>196,000</u>
Total Expenditures	<u>273,881,793</u>	<u>297,364,950</u>	<u>298,556,517</u>	-	<u>298,556,517</u>
Excess (deficiency) of revenues over expenditures	<u>(4,986,285)</u>	<u>(18,456,555)</u>	<u>(8,085,434)</u>	<u>80,313</u>	<u>(8,005,121)</u>
Other Financing Sources (Uses)					
Interfund transfers in	-	-	1,197,596	-	1,197,596
Interfund transfers out	<u>(1,873,773)</u>	<u>(1,873,773)</u>	<u>(3,554,032)</u>	-	<u>(3,554,032)</u>
Total Other Financing Sources (Uses)	<u>(1,873,773)</u>	<u>(1,873,773)</u>	<u>(2,356,436)</u>	-	<u>(2,356,436)</u>
Net change in fund balances	<u>\$ (6,860,058)</u>	<u>\$ (20,330,328)</u>	<u>(10,441,870)</u>	<u>80,313</u>	<u>(10,361,557)</u>
Fund Balance - Beginning of Year			<u>57,854,923</u>	<u>5,126,765</u>	<u>62,981,688</u>
Fund Balance - End of Year			<u>\$ 47,413,053</u>	<u>\$ 5,207,078</u>	<u>\$ 52,620,131</u>

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund.

See the accompanying notes to the required supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2018

State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability	0.2260%	0.2360%	0.2300%	0.2300%
District's proportionate share of the net pension liability	\$ 132,067,620	\$ 158,884,640	\$ 186,026,300	\$ 212,704,000
State's proportionate share of the net pension liability associated with the District	79,748,932	84,032,234	105,917,046	125,834,915
Total	\$ 211,816,552	\$ 242,916,874	\$ 291,943,346	\$ 338,538,915
District's covered payroll	\$ 103,800,000	\$ 107,100,000	\$ 117,900,000	\$ 121,890,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	127%	148%	158%	175%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%

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

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

See the accompanying notes to the required supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2018

California Public Employees' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability	0.3157%	0.3252%	0.3107%	0.3110%
District's proportionate share of the net pension liability	<u>\$ 35,839,637</u>	<u>\$ 47,934,801</u>	<u>\$ 61,363,442</u>	<u>\$ 74,243,908</u>
District's covered payroll	\$ 33,700,000	\$ 33,300,000	\$ 37,400,000	\$ 38,600,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	106%	144%	164%	192%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%

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

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

See the accompanying notes to the required supplementary information.

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

State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	\$ 9,506,540	\$ 12,648,966	\$ 15,334,380	\$ 18,333,339
Contributions in relation to the contractually required contributions	<u>9,506,540</u>	<u>12,648,966</u>	<u>15,334,380</u>	<u>18,333,339</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 107,100,000	\$ 117,900,000	\$ 121,890,000	\$ 127,000,000
Contributions as a percentage of its covered payroll	8.88%	10.73%	12.58%	14.43%

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

See the accompanying notes to the required supplementary information.

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

<u>California Public Employees' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 3,915,049	\$ 4,440,809	\$ 5,361,874	\$ 6,318,469
Contributions in relation to the contractually required contributions	<u>3,915,049</u>	<u>4,440,809</u>	<u>5,361,874</u>	<u>6,318,469</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 33,300,000	 \$ 37,400,000	 \$ 38,600,000	 \$ 40,700,000
 Contributions as a percentage of its covered payroll	 11.77%	 11.85%	 13.89%	 15.53%

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

See the accompanying notes to the required supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

<u>Total OPEB Liability - Retiree Health Plan</u>	<u>2018</u>
Balance at June 30, 2017	<u>\$ 70,767,965</u>
Changes for the year	
Service cost	4,165,618
Interest cost	2,297,448
Changes in assumptions	828,925
Expected benefit payments	<u>(3,089,184)</u>
Net changes	<u>4,202,807</u>
Balance at June 30, 2018	<u><u>\$ 74,970,772</u></u>
Covered-employee payroll	137,489,158
Total OPEB liability as a percentage of covered-employee payroll	55%

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

See the accompanying notes to the required supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

<u>Net OPEB Liability - Medicare Premium Payment Program</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.230%
District's proportionate share of the net OPEB liability	\$ 967,628
Covered-employee payroll	-
Net OPEB liability (asset) as a percentage of covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

Plan participants are limited to retirees; therefore covered-employee payroll is not applicable.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

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

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

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

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

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

Schedule of Changes in the Total OPEB Liability and Related Ratios – Retiree Health Plan

The schedule is intended to show trends about the changes in the District's actuarially determined liability for the Retiree Health Plan.

Benefit Changes – None

Changes of Assumptions –

- The discount rate as of the beginning of the fiscal year changed from 5.00% to 3.13% to reflect the adoption of GASB 75.
- The discount rate as of the end of the fiscal year changed from 3.13% to 2.98% based on the change in 20 year municipal bond yields.
- The actuarial cost method changed to the Entry Age Normal method to reflect the adoption of GASB 75.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

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

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

Benefit changes – None

Changes of Assumptions – As described in Note 14 to the financial statements.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

Employee benefits *	\$ 7,608,167
Services and other operating expenditures	806,216

* The excess of expenditures over appropriations for employee benefits is due to the exclusion of the STRS on-behalf contribution to the General Fund of \$10,095,674 from the budget.

SUPPLEMENTARY INFORMATION

GLENDALE UNIFIED SCHOOL DISTRICT

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

Public education in the Glendale area dates back to 1879 with the formation of the Sepulveda School District. During the next 20 years, three districts - Glendale, West Glendale and Crescenta were carved from the original Sepulveda boundaries. In 1901 a high school district was added, followed by a junior college district in 1927. All of these districts were consolidated to become the Glendale Unified School District on July 21, 1936. Eventually, Glendale Community College formed its own district in 1981.

The area of the Glendale Unified School District is approximately 35 square miles and has remained the same for at least the past 100 years. The District currently operates one preschool, 20 elementary schools, four middle schools, five senior highs including a continuation high school, a development center for multi-disabled students, one community day school and one site for multiple intervention programs.

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

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Gregory Krikorian	President	April 2021
Ms. Jennifer Freemon	Vice President	April 2019
Dr. Armina Gharpetian	Clerk	April 2021
Mr. Shant Sahakian	Member	April 2021
Ms. Nayiri Nahabedian	Member	April 2019

ADMINISTRATORS

Dr. Winfred Roberson	Superintendent
Mr. Stephen Dickinson	Chief Business and Financial Officer
Dr. Kelly King	Assistant Superintendent, Educational Services
Dr. Cynthia M. Foley	Assistant Superintendent, Human Resources
Dr. Deb Rinder	Executive Director of Special Education
Dr. Mary Mason	Executive Director, Elementary Education
Mr. Felix Melendez	Executive Director, Secondary Education
Ms. Karineh Savarani	Director of Financial Services

GLENDALE UNIFIED SCHOOL DISTRICT

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

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

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

	Revised	
	<u>Second Period</u>	<u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	7,917	7,922
Extended year special education	16	16
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades transitional kindergarten through third ADA	<u>7,934</u>	<u>7,939</u>
Grades four through six:		
Regular ADA	5,692	5,691
Extended year special education	9	9
Special education - nonpublic, nonsectarian schools	2	2
Extended year special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades four through six ADA	<u>5,704</u>	<u>5,703</u>
Grades seven and eight:		
Regular ADA	3,812	3,810
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	13	13
Extended year special education - nonpublic, nonsectarian schools	1	1
Community day school	<u>5</u>	<u>5</u>
Total grades seven and eight ADA	<u>3,832</u>	<u>3,830</u>
Grades nine through twelve:		
Regular ADA	7,602	7,586
Extended year special education	10	10
Special education - nonpublic, nonsectarian schools	44	45
Extended year special education - nonpublic, nonsectarian schools	5	5
Community day school	<u>3</u>	<u>3</u>
Total grades nine through twelve ADA	<u>7,664</u>	<u>7,649</u>
Total ADA	<u><u>25,134</u></u>	<u><u>25,121</u></u>

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	39,060	180	In Compliance
Grade 1	50,400	50,492	180	In Compliance
Grade 2	50,400	50,492	180	In Compliance
Grade 3	50,400	50,492	180	In Compliance
Grade 4	54,000	54,067	180	In Compliance
Grade 5	54,000	54,067	180	In Compliance
Grade 6	54,000	54,067	180	In Compliance
Grade 7	54,000	61,186	180	In Compliance
Grade 8	54,000	61,186	180	In Compliance
Grade 9	64,800	65,010	180	In Compliance
Grade 10	64,800	65,010	180	In Compliance
Grade 11	64,800	65,010	180	In Compliance
Grade 12	64,800	65,010	180	In Compliance

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

Program Name	Pass-Through		Total Program Expenditures
	Federal Catalog Number	Entity Identifying Number	
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-Basic Breakfast	10.553	13525	\$ 102,701
Child Nutrition Program-Especially Needy Breakfast	10.553	13526	1,342,020
Child Nutrition Program-Lunch	10.555	13396	4,325,150
Child Nutrition Program-Commodities	10.555	13396	621,867
Child Nutrition Program-Meal Supplements	10.555	13396	177,167
Subtotal: Child Nutrition Cluster			<u>6,568,905</u>
Fresh Fruit and Vegetable Program	10.582	14968	<u>236,560</u>
Total: United States Department of Agriculture			<u>6,805,465</u>
United States Department of Education			
Creates Projects	84.351D	(1)	<u>500,361</u>
Subtotal: Direct Programs			<u>500,361</u>
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
Grants to States (IDEA, Part B)	84.027	13379	5,265,949
Grants to States (IDEA, Part B) - Private Schools	84.027	10115	71,438
Federal Preschool Grant	84.173	13430	153,080
Preschool Local Entitlement	84.027A	13682	499,266
Preschool Staff Development	84.173A	13431	2,100
Alternate Dispute Resolution	84.173A	13007	9,230
Mental Health Services, Part B	84.027A	15197	424,952
Subtotal: Special Education Cluster			<u>6,426,015</u>
Every Student Succeeds Act:			
Title III - English Language Acquisition Grants:			
Immigrant Education Program	84.365	15146	176,734
Limited English Proficiency	84.365	14346	<u>583,363</u>
Subtotal: Title III - English Language Acquisition Grants			760,097
Title I, Part A - Low Income and Neglected	84.010	14329	5,630,589
Title I, Part G - AP Test Fee Reimbursement Program	84.330B	14831	15,137
Title II, Part A - Improving Teacher Quality	84.367	14341	1,052,812
Title II, Part B - Mathematics and Science Partnership	84.366	14512	39,706
Career and Technical Education - Secondary	84.048	14894	212,723
Early Intervention Grants	84.181	23761	<u>167,474</u>
Subtotal: Pass-Through Programs			<u>14,304,553</u>
Total: United States Department of Education			<u>14,804,914</u>

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Health and Human Services			
Pass-Through Program From California Department of Education:			
Child Development - Federal Child Care Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	<u>850,584</u>
Subtotal: Child Development - Federal Child Care Cluster			850,584
Medicaid Cluster			
Medi-Cal	93.778	10013	<u>1,263,582</u>
Subtotal: Medicaid Cluster			1,263,582
Refugee Children Supplemental Assistance	93.576	24791	<u>47,607</u>
Total: United States Department of Health and Human Services			<u>2,161,773</u>
United States Department of Defense			
Reserve Officer Training Corp (ROTC)	12.000	(1)	<u>55,706</u>
Total: United States Department of Defense			<u>55,706</u>
Total Federal Programs			<u><u>\$ 23,827,858</u></u>

Reconciliation to Federal Revenue

Total Federal Program Expenditures	\$ 23,827,858
Revenues in excess (deficiency) of expenditures related to Federal Entitlements:	
Medi-Cal	(253,875)
Medi-Cal Administrative Activities	622,259
Clean Renewable Energy Bonds	133,044
Federal Interest Subsidy	535,113
Refugee Children Supplemental Assistance Program	59,871
NCLB: Title II, Part A, Administrator Training	1,215
NCLB: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	<u>1,870</u>
Total Federal Program Revenue	<u><u>\$ 24,927,355</u></u>

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

Of the federal expenditures presented in the schedule, the District provided federal awards to the subrecipients as follows:

Special Education - IDEA	84.027	13379	\$ 1,034,844
Special Education - IDEA - Private Schools	84.027	10115	14,171
Special Education - Federal Preschool Grant	84.173	13430	28,897
Special Education - Preschool Local Entitlement	84.027A	13682	96,214
Special Education - Preschool Staff Development	84.173A	13431	710
Special Education - Mental Health Services, Part B	84.027A	15197	<u>133,919</u>
Total Amount Provided to Subrecipients			<u><u>\$ 1,308,755</u></u>

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$621,867 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

	2019 (Budgeted)	2018	2017	2016
Revenue				
Local control funding formula sources	\$ 235,751,710	\$ 219,410,005	\$ 214,753,763	\$ 204,294,372
Federal sources	12,863,443	15,294,394	15,907,519	15,195,306
Other state sources	31,481,775	39,180,251	38,804,150	47,071,061
Other local sources	12,709,457	16,586,433	14,786,552	14,203,295
Interfund transfers in	-	1,197,596	1,481,351	1,370,025
Total revenue	<u>292,806,385</u>	<u>291,668,679</u>	<u>285,733,335</u>	<u>282,134,059</u>
Expenditures				
Certificated salaries	128,511,087	129,268,019	124,302,729	120,285,565
Classified salaries	42,259,159	40,048,452	38,385,261	37,363,101
Employee benefits	77,085,652	80,029,361	73,756,057	66,308,292
Books and supplies	7,928,807	14,589,530	9,655,153	8,810,999
Services and other operating expenses	30,842,846	33,521,587	32,105,283	32,256,367
Capital outlay	151,558	688,645	331,640	368,244
Other outgo	750,000	710,883	512,121	407,367
Debt Service	216,000	196,000	177,000	285,000
Direct support- indirect costs	(401,000)	(495,960)	(498,959)	(490,510)
Interfund transfers out	1,873,773	3,554,032	2,686,228	2,582,169
Total expenditures	<u>289,217,882</u>	<u>302,110,549</u>	<u>281,412,513</u>	<u>268,176,594</u>
Change in fund balance	<u>\$ 3,588,503</u>	<u>\$ (10,441,870)</u>	<u>\$ 4,320,822</u>	<u>\$ 13,957,465</u>
Ending fund balance	<u>\$ 51,001,556</u>	<u>\$ 47,413,053</u>	<u>\$ 57,854,923</u>	<u>\$ 53,534,101</u>
Available reserve	<u>\$ 33,115,240</u>	<u>\$ 27,592,594</u>	<u>\$ 39,726,601</u>	<u>\$ 35,757,902</u>
Available reserve %	11.45%	9.13%	14.12%	13.33%
ADA	<u>25,406</u>	<u>25,134</u>	<u>25,128</u>	<u>25,113</u>
Total long term debt	<u>\$ 748,760,130</u>	<u>\$ 769,354,657</u>	<u>\$ 734,078,112</u>	<u>\$ 555,856,110</u>

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

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

The 2019 budget is the original budget adopted on June 19, 2018.

The 2017 long-term debt balance has been adjusted for the cumulative effect of a change in accounting principle. See Note 18.

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

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

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

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

NOTE: The financial data for the 2015 General Obligation Refunding Bonds, Series B (2021 Crossover) held with the refunding escrow agent, is presented within the Debt Service Fund (#56) of these financial statements. The activity is not reported in the Annual Financial and Budget Report. A reconciliation is as follows:

	Debt Service Fund (#56)
June 30, 2018 Annual Financial and Budget Report Fund Balance	\$ 11,684,084
Reconciling Items:	
Cash with escrow agent	<u>82,559,091</u>
June 30, 2018 Audited Financial Statement Fund Balance	<u>\$ 94,243,175</u>

See the accompanying notes to the supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Expenditures of Federal Awards

Basis of Presentation

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

Summary of Significant Accounting Policies

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

GLENDALE UNIFIED SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

OPTIONAL SUPPLEMENTARY INFORMATION

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING BALANCE SHEET
BUILDING FUND
June 30, 2018**

	Building Fund Measure S (#21.1)	Building Fund CREBS (#21.2)	Total (Memorandum Only)
<u>Assets</u>			
Cash in county treasury	\$ 41,681,720	\$ 5,073,244	\$ 46,754,964
Cash with fiscal agent	-	174,304	174,304
Accounts receivable	<u>255,131</u>	<u>33,170</u>	<u>288,301</u>
Total Assets	<u>\$ 41,936,851</u>	<u>\$ 5,280,718</u>	<u>\$ 47,217,569</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ <u>2,870,244</u>	\$ <u>286,885</u>	\$ <u>3,157,129</u>
Total Liabilities	<u>2,870,244</u>	<u>286,885</u>	<u>3,157,129</u>
 Fund Balances			
Restricted	<u>39,066,607</u>	<u>4,993,833</u>	<u>44,060,440</u>
Total Fund Balances	<u>39,066,607</u>	<u>4,993,833</u>	<u>44,060,440</u>
Total Liabilities and Fund Balances	<u>\$ 41,936,851</u>	<u>\$ 5,280,718</u>	<u>\$ 47,217,569</u>

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

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

BUILDING FUND

For the Fiscal Year Ended June 30, 2018

	Building Fund Measure S (#21.1)	Building Fund CREBS (#21.2)	Total (Memorandum Only)
Revenues			
Local sources	\$ 921,189	\$ 131,915	\$ 1,053,104
Total Revenues	<u>921,189</u>	<u>131,915</u>	<u>1,053,104</u>
Expenditures			
Plant services	34,192,033	5,360,831	39,552,864
Total Expenditures	<u>34,192,033</u>	<u>5,360,831</u>	<u>39,552,864</u>
Deficiency of revenues over expenditures	<u>(33,270,844)</u>	<u>(5,228,916)</u>	<u>(38,499,760)</u>
Other Financing Sources			
Interfund transfers in	1,700,740	-	1,700,740
Total Other Financing Sources	<u>1,700,740</u>	<u>-</u>	<u>1,700,740</u>
Net changes in fund balance	<u>(31,570,104)</u>	<u>(5,228,916)</u>	<u>(36,799,020)</u>
Fund Balances at Beginning of Year	<u>70,636,711</u>	<u>10,222,749</u>	<u>80,859,460</u>
Fund Balances at End of Year	<u><u>\$ 39,066,607</u></u>	<u><u>\$ 4,993,833</u></u>	<u><u>\$ 44,060,440</u></u>

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2018

	Special Education Pass-Through Fund (#10)	Child Development Fund (#12)	Cafeteria Fund (#13)	Capital Facilities Fund (#25)	County Schools Facilities Fund (#35)	Special Reserve Fund for Capital Outlay (#40.1 & #40.2)	Bond Interest and Redemption Fund (#51)	Total Non-Major Governmental Funds
<u>Assets</u>								
Cash in county treasury	\$ -	\$ 256,590	\$ 3,338,031	\$ 9,745,230	\$ -	\$ 25,549,109	\$ 17,632,850	\$ 56,521,810
Cash in revolving fund	-	-	700	-	-	-	-	700
Accounts receivable	-	390,358	1,145,737	222,277	4	125,643	-	1,884,019
Inventories	-	-	117,271	-	-	-	-	117,271
Total Assets	\$ -	\$ 646,948	\$ 4,601,739	\$ 9,967,507	\$ 4	\$ 25,674,752	\$ 17,632,850	\$ 58,523,800
<u>Liabilities and Fund Balances</u>								
Liabilities								
Accounts payable	\$ -	\$ 348,444	\$ 440,307	\$ 42,088	\$ -	\$ 387,358	\$ -	\$ 1,218,197
Unearned revenue	-	-	197,314	-	-	-	-	197,314
Total Liabilities	-	348,444	637,621	42,088	-	387,358	-	1,415,511
Fund Balances								
Nonspendable	-	-	117,971	-	-	-	-	117,971
Restricted	-	266,494	317,094	9,925,419	4	2,556,250	17,632,850	30,698,111
Assigned	-	32,010	3,529,053	-	-	22,731,144	-	26,292,207
Total Fund Balances	-	298,504	3,964,118	9,925,419	4	25,287,394	17,632,850	57,108,289
Total Liabilities and Fund Balances	\$ -	\$ 646,948	\$ 4,601,739	\$ 9,967,507	\$ 4	\$ 25,674,752	\$ 17,632,850	\$ 58,523,800

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018**

	Special Education Pass-Through Fund (#10)	Child Development Fund (#12)	Cafeteria Fund (#13)	Capital Facilities Fund (#25)	County Schools Facilities Fund (#35)	Special Reserve Fund for Capital Outlay (#40.1 & #40.2)	Bond Interest and Redemption Fund (#51)	Total Non-Major Governmental Funds
Revenues								
Federal sources	\$ 1,308,755	\$ 850,584	\$ 6,805,465	\$ -	\$ -	\$ 535,113	\$ 133,044	\$ 9,632,961
State sources	6,492	3,504,602	456,821	-	-	1,419,541	88,224	5,475,680
Local sources	-	160,649	2,159,783	1,570,663	4	903,267	18,561,275	23,355,641
Total Revenues	<u>1,315,247</u>	<u>4,515,835</u>	<u>9,422,069</u>	<u>1,570,663</u>	<u>4</u>	<u>2,857,921</u>	<u>18,782,543</u>	<u>38,464,282</u>
Expenditures								
Instruction	-	4,159,977	-	-	-	-	-	4,159,977
Instruction - related services	-	534,161	-	-	-	-	-	534,161
Pupil services	-	8	9,513,276	-	-	-	-	9,513,284
General administration	-	162,506	333,453	-	-	-	-	495,959
Plant services	-	47,855	14,196	130,500	-	2,077,288	-	2,269,839
Other outgo	1,315,247	-	-	-	-	-	-	1,315,247
Debt service	-	-	-	-	-	1,209,874	21,163,557	22,373,431
Total Expenditures	<u>1,315,247</u>	<u>4,904,507</u>	<u>9,860,925</u>	<u>130,500</u>	<u>-</u>	<u>3,287,162</u>	<u>21,163,557</u>	<u>40,661,898</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(388,672)</u>	<u>(438,856)</u>	<u>1,440,163</u>	<u>4</u>	<u>(429,241)</u>	<u>(2,381,014)</u>	<u>(2,197,616)</u>
Other Financing Sources (Uses)								
Interfund transfers in	-	496,542	52,419	-	-	3,005,071	-	3,554,032
Interfund transfers out	-	-	-	(1,700,000)	(740)	-	-	(1,700,740)
Total Other Financing Sources (Uses)	<u>-</u>	<u>496,542</u>	<u>52,419</u>	<u>(1,700,000)</u>	<u>(740)</u>	<u>3,005,071</u>	<u>-</u>	<u>1,853,292</u>
Net changes in fund balance	-	107,870	(386,437)	(259,837)	(736)	2,575,830	(2,381,014)	(344,324)
Fund Balances at Beginning of Year	<u>-</u>	<u>190,634</u>	<u>4,350,555</u>	<u>10,185,256</u>	<u>740</u>	<u>22,711,564</u>	<u>20,013,864</u>	<u>57,452,613</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 298,504</u>	<u>\$ 3,964,118</u>	<u>\$ 9,925,419</u>	<u>\$ 4</u>	<u>\$ 25,287,394</u>	<u>\$ 17,632,850</u>	<u>\$ 57,108,289</u>

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2018

	Medical Fund (#67.0)	Workers' Compensation Fund (#67.1)	Early Retirement Benefits Fund (#67.2)	Total (Memorandum Only)
<u>Assets</u>				
Cash in county treasury	\$ 5,886,861	\$ 4,016,538	\$ 729,129	\$ 10,632,528
Cash with fiscal agent	375,000	250,000	-	625,000
Accounts receivable	297,382	73,786	1,264	372,432
Prepaid expenses	29,980	-	-	29,980
Total Assets	6,589,223	4,340,324	730,393	11,659,940
<u>Liabilities</u>				
Accounts payable	1,088,923	138,070	151,623	1,378,616
Estimated liability for open claims and incurred but not reported claims	678,893	2,377,000	-	3,055,893
Total Liabilities	1,767,816	2,515,070	151,623	4,434,509
<u>Net Position</u>				
Restricted	4,821,407	1,825,254	578,770	7,225,431
Total Net Position	\$ 4,821,407	\$ 1,825,254	\$ 578,770	\$ 7,225,431

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION**

PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2018

	Medical Fund (#67.0)	Workers' Compensation Fund (#67.1)	Early Retirement Benefits Fund (#67.2)	Total (Memorandum Only)
Operating Revenues				
Self-insurance premiums	\$ 8,832,610	\$ 4,240,959	\$ 2,292,836	\$ 15,366,405
Other local revenue	559,801		-	559,801
Total Operating Revenues	<u>9,392,411</u>	<u>4,240,959</u>	<u>2,292,836</u>	<u>15,926,206</u>
Operating Expenditures				
Services and other operating expenses	9,063,204	4,317,535	2,312,380	15,693,119
Total Operating Expenditures	<u>9,063,204</u>	<u>4,317,535</u>	<u>2,312,380</u>	<u>15,693,119</u>
Net operating income (loss)	<u>329,207</u>	<u>(76,576)</u>	<u>(19,544)</u>	<u>233,087</u>
Non-Operating Revenues				
Interest income	63,814	44,348	5,027	113,189
Total Non-Operating Revenues	<u>63,814</u>	<u>44,348</u>	<u>5,027</u>	<u>113,189</u>
Net income (loss)	<u>393,021</u>	<u>(32,228)</u>	<u>(14,517)</u>	<u>346,276</u>
Net Position at Beginning of Year	<u>4,428,386</u>	<u>1,857,482</u>	<u>593,287</u>	<u>6,879,155</u>
Net Position at End of Year	<u>\$ 4,821,407</u>	<u>\$ 1,825,254</u>	<u>\$ 578,770</u>	<u>\$ 7,225,431</u>

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2018

	Elementary Schools	Woodrow Wilson Middle School	Theodore Roosevelt Middle School	Rosemont Middle School	Eleanor J. Toll Middle School
<u>Assets</u>					
Cash and cash equivalents	\$ 482,896	\$ 125,714	\$ 42,501	\$ 118,261	\$ 105,379
Accounts receivable	-	-	-	51	-
Inventories	-	7,466	9,947	8,588	4,782
Total Assets	<u>\$ 482,896</u>	<u>\$ 133,180</u>	<u>\$ 52,448</u>	<u>\$ 126,900</u>	<u>\$ 110,161</u>
<u>Liabilities</u>					
Funds held in trust					
Clubs and trusts	\$ -	\$ 51,649	\$ 16,324	\$ 33,987	\$ 32,665
Associated student body	482,896	81,531	36,124	92,913	77,496
Total Liabilities	<u>\$ 482,896</u>	<u>\$ 133,180</u>	<u>\$ 52,448</u>	<u>\$ 126,900</u>	<u>\$ 110,161</u>

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2018

	Cresenta Valley High School	Glendale High School	Herbert Hoover High School	Clark Magnet High School	Daily High School	Total (Memorandum Only)
<u>Assets</u>						
Cash and cash equivalents	\$ 337,037	\$ 399,572	\$ 281,187	\$ 261,798	\$ 22,658	\$ 2,177,003
Accounts receivable	3,810	15,581	-	-	-	19,442
Inventories	3,764	1,892	45,708	-	-	82,147
Total Assets	\$ 344,611	\$ 417,045	\$ 326,895	\$ 261,798	\$ 22,658	\$ 2,278,592
<u>Liabilities</u>						
Funds held in trust						
Clubs and trusts	\$ 183,952	\$ 387,195	\$ 220,598	\$ 80,772	\$ -	\$ 1,007,142
Associated student body	160,659	29,850	106,297	181,026	22,658	1,271,450
Total Liabilities	\$ 344,611	\$ 417,045	\$ 326,895	\$ 261,798	\$ 22,658	\$ 2,278,592

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ACTIVITY –
ASSOCIATED STUDENT BODY FUNDS
For the Fiscal Year Ended June 30, 2018**

	Elementary Schools	Woodrow Wilson Middle School	Theodore Roosevelt Middle School	Rosemont Middle School	Eleanor J. Toll Middle School
Additions					
Revenue from local sources:					
Student store sales	\$ -	\$ 22,414	\$ 18,354	\$ 34,666	\$ 37,404
Yearbook	-	21,990	6,256	43,375	3,323
Student body cards	-	5,131	2,821	-	7,935
Athletics	-	-	-	380	685
Fundraising	-	6,882	15,958	11,849	2,883
Social activities	-	-	20,444	17,360	2,269
Special events	-	228	3,120	13,733	18,221
Other revenue	780,199	1,077	5,436	130,400	105,599
Total Additions	<u>780,199</u>	<u>57,722</u>	<u>72,389</u>	<u>251,763</u>	<u>178,319</u>
Deductions					
Services and other operating expenses:					
Student store sales	-	23,731	16,138	10,132	26,347
Yearbook	-	18,266	7,008	43,326	65
Athletics	-	-	-	-	684
Fundraising	-	-	10,763	1,621	2,125
Social activities	-	-	45,012	20,599	444
Special events	-	-	-	17,405	17,891
Other expenses	702,198	3,497	4,429	143,897	114,727
Total Deductions	<u>702,198</u>	<u>45,494</u>	<u>83,350</u>	<u>236,980</u>	<u>162,283</u>
Net changes	78,001	12,228	(10,961)	14,783	16,036
Fund Balance - Beginning of Year	<u>404,895</u>	<u>69,303</u>	<u>47,085</u>	<u>78,130</u>	<u>61,460</u>
Fund Balance - End of Year	<u>\$ 482,896</u>	<u>\$ 81,531</u>	<u>\$ 36,124</u>	<u>\$ 92,913</u>	<u>\$ 77,496</u>

See the accompanying notes to the optional supplementary information.

GLENDALE UNIFIED SCHOOL DISTRICT

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ACTIVITY –
ASSOCIATED STUDENT BODY FUNDS
For the Fiscal Year Ended June 30, 2018**

	Cresenta Valley High School	Glendale High School	Herbert Hoover High School	Clark Magnet High School	Daily High School	Total (Memorandum Only)
Additions						
Revenue from local sources:						
Student store sales	\$ 28,245	\$ 59,908	\$ 17,867	\$ -	\$ -	\$ 218,858
Yearbook	119,588	34,193	18,530	25,849	1,050	274,154
Student body cards	44,188	3,575	5,010	1,680	-	70,340
Athletics	52,932	39,032	14,514	-	-	107,543
Fundraising	-	11,669	-	-	-	49,241
Social activities	-	49,977	10,790	-	5,756	106,596
Special events	125,466	33,624	-	-	-	194,392
Other revenue	193,390	11,180	8,543	62,096	7,685	1,305,605
Total Additions	<u>563,809</u>	<u>243,158</u>	<u>75,254</u>	<u>89,625</u>	<u>14,491</u>	<u>2,326,729</u>
Deductions						
Services and other operating expenses:						
Student store sales	10,623	44,679	5,028	-	-	136,678
Yearbook	119,588	36,224	17,192	25,849	723	268,241
Athletics	104,705	62,271	52,063	-	-	219,723
Fundraising	-	8,346	-	-	1,249	24,104
Social activities	-	-	15,578	-	4,745	86,378
Special events	116,024	38,301	-	-	-	189,621
Other expenses	243,072	48,130	48,675	56,653	7,578	1,372,856
Total Deductions	<u>594,012</u>	<u>237,951</u>	<u>138,536</u>	<u>82,502</u>	<u>14,295</u>	<u>2,297,601</u>
Net changes	(30,203)	5,207	(63,282)	7,123	196	29,128
Fund Balance - Beginning of Year	<u>190,862</u>	<u>24,643</u>	<u>169,579</u>	<u>173,903</u>	<u>22,462</u>	<u>1,242,322</u>
Fund Balance - End of Year	<u>\$ 160,659</u>	<u>\$ 29,850</u>	<u>\$ 106,297</u>	<u>\$ 181,026</u>	<u>\$ 22,658</u>	<u>\$ 1,271,450</u>

See the accompanying notes to the optional supplementary information.

GLENDALÉ UNIFIED SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Combining and Individual Fund Financial Statements/Schedule

The combining fund balance sheets and statements of revenues, expenditures and changes in fund balance for the building fund and the non-major governmental funds, the combining statements of fund net position and changes in net position for the proprietary funds, the combining statement of fund net position, and the combining schedule of changes in activity for the fiduciary funds have been presented to provide additional information to the users of these financial statements. These statements/schedule have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Board of Education
Glendale Unified School District
Glendale, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glendale Unified School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

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

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

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

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

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

Purpose of this Report

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



CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

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

Board of Education
Glendale Unified School District
Glendale, California

Report on Compliance for Each Major Federal Program

We have audited Glendale Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Glendale Unified School District
Glendale, California

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

Management's Responsibility

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

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

¹The District is not the granting agency for any Charter Schools.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

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

Purpose of this Report

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



CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

FINDINGS AND QUESTIONED COSTS

GLENDALE UNIFIED SCHOOL DISTRICT

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over financial reporting:

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

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

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

Identification of Major Federal Programs:

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

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

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

Auditee qualified as low-risk auditee? X Yes No

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

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

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

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

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

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

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

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

GLENDALE UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2018

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

CONTINUING DISCLOSURE INFORMATION

GLENDALE UNIFIED SCHOOL DISTRICT

CONTINUING DISCLOSURE INFORMATION (UNAUDITED)

June 30, 2018

The following information is provided by the District to comply with covenants of its General Obligation Bonds. As noted in the opinion letter of this report, this continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements.

	<u>Audit Report Pages</u>
1. Outstanding indebtedness and lease obligations	2, 31-35
2. General fund budget and actual results	61
3. Attendance and local control funding formula information	6, 72
4. Facilities and personnel	109
5. Assessed valuations	109
6. Largest local secured taxpayers	110
7. Secured tax charges and delinquencies	111

Facilities and Personnel

The District’s facilities currently include five senior high schools, including a continuation high school, four middle schools, twenty elementary schools, one preschool, one development center for multi-disabled students, a community day school, and a site devoted to multiple intervention and special education programs, a professional development center, maintenance and warehouse site, District administration offices, and an excess site that is leased.

Assessed Valuations

The District uses the facilities and services of the County for the assessment and collection of taxes. District taxes are collected at the same time and on the same tax rolls as are the County, City and Special District taxes. Assessed valuations are the same for both District and County taxing purposes. The following tabulation is the latest ten-year summary of the District’s assessed valuation before deduction of the homeowners’ and business inventory exemptions.

<u>Fiscal Year</u>	<u>District Assessed Valuation</u>
2008-09	\$ 25,258,072,361
2009-10	25,253,710,452
2010-11	25,570,616,706
2011-12	26,025,237,749
2012-13	26,286,351,301
2013-14	27,413,098,346
2014-15	28,788,168,062
2015-16	30,400,786,637
2016-17	32,047,250,278
2017-18	33,980,452,905

GLENDALE UNIFIED SCHOOL DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2018

Assessed Valuations

The twenty largest locally secured taxpayers in the District are listed below.

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total (1)
1.	Walt Disney World Co.	Movie Studio	\$ 477,044,354	1.44%
2.	Glendale I Mall Associates LP	Shopping Center	288,917,178	0.87%
3.	Glendale II Mall Associates LLC	Shopping Center	249,575,387	0.75%
4.	Americana at Brand LLC	Shopping Center	222,998,414	0.67%
5.	GC Net Lease Glendale	Movie Studio	191,577,671	0.58%
6.	PR Glendale Plaza Office CA LLC	Office Building	180,600,000	0.54%
7.	CP IV Glendale LLC	Apartments	179,064,665	0.54%
8.	Wells REIT Glendale CA LLC	Office Building	154,400,000	0.47%
9.	Camden USA Inc.	Commercial	146,134,380	0.44%
10.	Metropolitan Life Insurance Company	Office Building	143,333,117	0.43%
11.	BCAL 101 North Brand Property	Office Building	126,441,265	0.38%
12.	Faruque and Maria S. Sikder, Trustees	Apartments	121,336,378	0.37%
13.	100 WGB Hotel Owner LLC	Hotel	113,911,050	0.34%
14.	GPI 500 Brand Ltd	Office Building	100,586,658	0.30%
15.	Sequoia Equities Glendale	Commercial	94,800,589	0.29%
16.	American Residential LLC	Shopping Center	94,278,639	0.28%
17.	505 North Brand LLC	Office Building	85,536,843	0.26%
18.	BRE Brand Central Holdings LLC	Office Building	82,525,362	0.25%
19.	WBCMT 2006 C27 Brand Boulevard LP	Office Building	81,806,238	0.25%
20.	GPI 500 Brand LP	Office Building	81,319,500	0.25%
			\$ 3,216,187,688	9.70%

(1) 2017-18 Local Secured Assessed Valuation: \$33,150,959,813

Tax Rate Area

There are a total of 76 tax rate areas within the District. The largest is Tax Rate Area 4045. A summary of the tax rates levied in Tax Rate Area 4045 during the period 2013-14 through 2017-18 appears in the following table.

GLENDALE UNIFIED SCHOOL DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2018

Tax Rate Area

TAX RATE AREA 4045
Percent of Assessed Value

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Glendale Unified School District	0.039168%	0.059743%	0.050620%	0.056988%	0.052850%
Glendale Community College District	0.023412%	0.022198%	0.021235%	0.021189%	0.034887%
Metropolitan Water District	<u>0.003500%</u>	<u>0.003500%</u>	<u>0.003500%</u>	<u>0.003500%</u>	<u>0.003500%</u>
Total	<u>1.066080%</u>	<u>1.085441%</u>	<u>1.075355%</u>	<u>1.081677%</u>	<u>1.091237%</u>

Source: California Municipal Statistics, Inc.

Tax Levies and Collections

District taxes are collected on the same bill as County taxes. Secured taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured taxes are assessed on January 1.

The following tabulation shows the secured taxes levied by the District during the past five fiscal years, together with the total amounts and percentages of delinquencies as of June 30 of each fiscal year.

Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent (June 30)	% Delinquent (June 30)
2012-13	\$ 49,649,899	\$ 896,379	1.81%
2013-14	51,953,546	769,748	1.48%
2014-15	54,782,094	792,875	1.45%
2015-16	58,086,833	828,181	1.43%
2016-17	61,174,671	730,342	1.19%

Fiscal Year	Secured Tax Charge (2)	Amount Delinquent (June 30)	% Delinquent (June 30)
2012-13	\$ 11,406,140	\$ 399,849	3.51%
2013-14	10,396,128	125,767	1.21%
2014-15	16,723,607	182,282	1.09%
2015-16	14,955,844	165,746	1.11%
2016-17	17,842,898	173,441	0.97%

Source: California Municipal Statistics, Inc.

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects county wide delinquency rate.

(2) District's general obligation bond debt service levy only.