12/07/2017

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2017

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2017
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INDEPENDENT AUDITORS' REPORT

Governing Board
Castro Valley Unified School District
Castro Valley, 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 Castro Valley Unified School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on pages 51 and 52, schedule of funding progress on page 53, schedule of proportionate share of the net pension liability on page 54, and schedule of pension contributions on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 59 to 64 and the schedule of expenditures of federal awards on page 65 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 58 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 29, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC

Murrieta, California
November 29, 2017

This discussion and analysis of Castro Valley Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $5.6 million due to revenues outpacing expenses.
- Governmental expenses were about $140.7 million. Revenues were about $146.2 million.
- The District acquired over $7.8 million in new capital assets during the year.
- The District increased its outstanding long-term debt by $51.5 million. This was primarily due to issuing $53.0 million in general obligation bonds.
- Grades K-12 average daily attendance (ADA) decreased by 35.

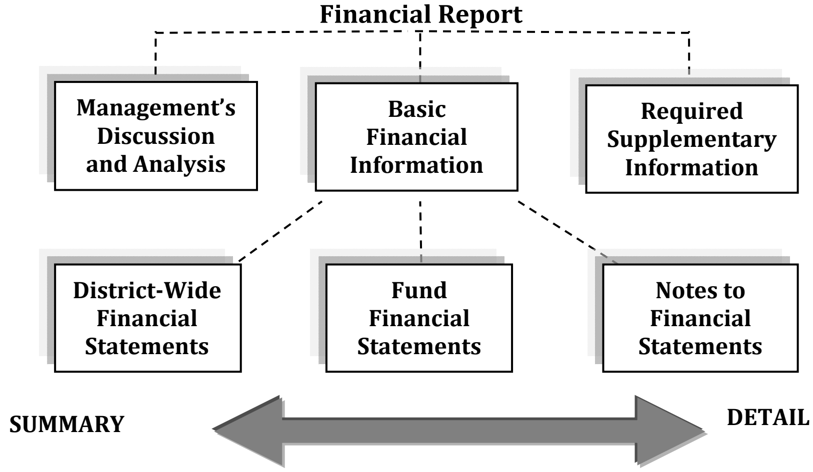
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements.*
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Castro Valley Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has three kinds of funds:

1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers compensation claims.

Fund Financial Statements (continued)

3) ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and retiree benefits fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2017, than it was the year before – increasing to $(5.0) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2017	2016	Increase (Decrease)
Assets			
Current assets	$ 93,937,444	$ 31,912,705	$ 62,024,739
Capital assets	119,210,976	116,763,512	2,447,464
Total assets	213,148,420	148,676,217	64,472,203
Deferred outflows of resources	19,927,172	11,421,914	8,505,258
Liabilities			
Current liabilities	9,522,599	4,313,591	5,209,008
Long-term liabilities	129,990,429	78,487,837	51,502,592
Net pension liability	93,334,849	77,243,107	16,091,742
Total liabilities	232,847,877	160,044,535	72,803,342
Deferred inflows of resources	5,274,784	10,669,743	(5,394,959)
Net position			
Net investment in capital assets	42,688,864	44,208,023	(1,519,159)
Restricted	22,099,347	14,761,112	7,338,235
Unrestricted	(69,835,280)	(69,585,282)	(249,998)
Total net position	$ (5,047,069)	$ (10,616,147)	$ 5,569,078

Changes in net position, governmental activities. The District's total revenues increased 8.9% to $146.2 million (See Table A-2). The increase is due primarily to an increase in federal and state funding.

The total cost of all programs and services increased 7.5% to $140.7 million. The District's expenses are predominantly related to educating and caring for students, 63.7%. The purely administrative activities of the District accounted for just 5.1% of total costs. A significant contributor to the increase in costs was due to negotiated salary and benefit increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase
	2017	2016	(Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 2,252,629	$ 1,785,581	$ 467,048
Operating grants and contributions	53,276,601	46,859,315	6,417,286
General Revenues:			
Property taxes	32,871,375	26,146,167	6,725,208
Federal and state aid not restricted	55,270,946	57,720,583	(2,449,637)
Other general revenues	2,556,099	1,715,642	840,457
Total Revenues	146,227,650	134,227,288	12,000,362
Expenses			
Instruction-related	78,320,781	76,284,826	2,035,955
Pupil services	11,245,119	10,291,438	953,681
Administration	7,170,843	6,522,342	648,501
Plant services	7,926,445	8,052,040	(125,595)
Transfers between agencies	31,012,788	26,726,791	4,285,997
All other activities	4,982,596	2,995,303	1,987,293
Total Expenses	140,658,572	130,872,740	9,785,832
Increase (decrease) in net position	$ 5,569,078	$ 3,354,548	$ 2,214,530

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $85.8 million, which is above last year's ending fund balance of $28.5 million. The primary cause of the increased fund balance was due to the issuance of $53.0 million in general obligation bonds from Measure "G".

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2016	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2017
Fund					
General Fund	$ 15,173,795	$ 98,084,248	$ 96,147,719	$ (494,013)	$ 16,616,311
Special Education Pass-Through Fund	-	30,133,974	30,133,974	-	-
Adult Education Fund	1,412,982	4,282,527	4,053,281	102,215	1,744,443
Child Development Fund	-	224,174	224,174	-	-
Cafeteria Fund	134,856	2,827,551	2,822,129	309,529	449,807
Special Reserve Fund (Other Than Capital Outlay)	51,568	-	-	82,269	133,837
Building Fund	2,273,137	101,638	5,818,680	53,649,725	50,205,820
Capital Facilities Fund	117,571	259,380	7,928	-	369,023
County School Facilities Fund	4,579,230	31,451	-	(500,000)	4,110,681
Special Reserve Fund (Capital Outlay)	195,120	1,343	-	-	196,463
Bond Interest and Redemption Fund	4,581,287	10,183,260	5,730,372	2,929,393	11,963,568
	$ 28,519,546	$ 146,129,546	$ 144,938,257	$ 56,079,118	$ 85,789,953

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $3.4 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $1.7 million due to negotiated increases.
- Other non-personnel expenses – increased $5.7 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $3.8 million, the actual results for the year show that revenues exceeded expenditures by roughly $1.9 million. Actual revenues were $2.2 million more than anticipated, and expenditures were $3.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested $7.8 million in new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded $5.4 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase
	2017	**2016**	**(Decrease)**
Land	$ 23,256,124	$ 23,256,124	$ -
Improvement of sites	13,440,378	14,916,760	(1,476,382)
Buildings	76,324,156	76,855,021	(530,865)
Equipment	791,631	757,820	33,811
Construction in progress	5,398,687	977,787	4,420,900
Total	$ 119,210,976	$ 116,763,512	$ 2,447,464

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $130.0 million in general obligation bonds, certificates of participation, and employment benefits – an increase of 65.6% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	2017	2016	Increase (Decrease)
General obligation bonds	$ 121,882,932	$ 69,418,626	$ 52,464,306
Certificates of participation	5,115,000	5,410,000	(295,000)
Compensated absences	726,066	699,487	26,579
Other postemployment benefits	2,266,431	2,959,724	(693,293)
Total	$ 129,990,429	$ 78,487,837	$ 51,502,592

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

Proposition 98

Overview

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

Proposition 98 Establishes Minimum Spending Level

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Overview (continued)

2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly
The 2015-16 minimum guarantee has decreased $379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased $53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased $558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by $484 million, but total spending, including a settle-up payment of $514 million, is up slightly ($29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

2017-18 Spending Up $3.1 Billion Over Revised 2016-17 Level
In 2017-18, total spending across all segments is $74.5 billion, an increase of $3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been $542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of $536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of $900 million.

About One-Third of Increase Covered With Higher Property Tax Revenue
Of the total Proposition 98 spending provided in 2017-18, $52.6 billion is state General Fund and $21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases $2.1 billion (accounting for about two-thirds of the $3.1 billion increase in spending) and property tax revenue increases by $1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of $31 million. This consists of a $131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a $100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

Spending Package Reduces Outstanding Settle-Up Obligation by $603 Million
The budget plan includes a $603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above $1 billion to $440 million. Of the $603 million provided, the budget plan allocates $514 million for covering 2016-17 LCFF costs, $86 million for the community college guided pathways initiative, and $3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

K-12 Education

$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18
The budgeted 2017-18 level is $2.7 billion (4.3 percent) more than revised 2016-17 level and $2.2 billion (3.6 percent) more than the *2016-17 Budget Act* level. The budget increases funding per student by $450 (4.3 percent) over the *2016-17 Budget Act* level, bringing Proposition 98 funding per student up to $10,863.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $2.4 billion in augmentations for K-12 education. Of these augmentations, $1.5 billion are ongoing increases and $933 million are one-time initiatives. In addition to these changes, the budget package includes $328 million in one-time initiatives funded from other sources. (Of this amount, $325 million is from Proposition 98 reversion dollars and $3 million is from a settle-up payment. Of the reversion dollars, $114 million is for a fund swap primarily relating to special education.) The budget also authorizes $593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

General Purpose Funding

Accelerates Implementation of LCFF for School Districts and Charter Schools
The budget provides an additional $1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to $57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time augmentation for K-12 education is $877 million that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on average daily attendance ($147 per ADA). If an LEA has unpaid mandate claims, funding counts toward those claims. As most LEAs do not have any such claims, we estimate only about one-third ($268 million) of the funding will end up reducing the K-12 mandates backlog. We estimate the K-12 mandates backlog will be $799 million at the end of 2017-18.

Other Changes

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely
The budget provides $423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first $75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses. Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next $100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Other Changes (continued)

Augments After School Education and Safety (ASES) Program
Proposition 49, passed by the voters in 2002, requires the state to provide $550 million in Proposition 98 funds annually for the ASES program. Since Proposition 49 was enacted, ASES providers have received $7.50 per child per day. The budget increases ASES funding by $50 million (9%)—bringing total funding to $600 million. The augmentation will increase the per-child per-day rate.

School Facilities

Provides First Installment of Proposition 51 Bond Funding for School Facilities
Passed by the voters in November 2016, Proposition 51 authorizes the state to sell $9 billion in general obligation bonds—$7 billion for schools and $2 billion for community colleges. The state plans to issue $593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of $368 million in already approved facility projects, as well as $225 million in additional projects.

Establishes New Audit Rules
Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Castro Valley Unified School District budget for the 2017-18 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Suzy Chan, Assistant Superintendent, Business Services, at the Castro Valley Unified School District, Castro Valley, California, or email at schan@cv.k12.ca.us.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Total Governmental Activities
ASSETS	
Cash	$ 89,457,349
Investments	238,959
Accounts receivable	4,149,990
Inventories	78,033
Prepaid expenses	13,113
Non-depreciable assets	28,654,811
Depreciable assets	180,660,232
Less accumulated depreciation	(90,104,067)
Total assets	213,148,420
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	19,927,172
LIABILITIES	
Accounts payable	9,486,461
Unearned revenue	36,138
Long-term liabilities:	
Due or payable within one year	8,186,571
Due or payable after one year	121,803,858
Net pension liability	93,334,849
Total liabilities	232,847,877
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	684,419
Deferred inflows of resources - pensions	4,590,365
Total deferred inflows of resources	5,274,784
NET POSITION	
Net investment in capital assets	42,688,864
Restricted for:	
Capital projects	4,676,167
Debt service	11,963,568
Categorical programs	5,459,612
Unrestricted	(69,835,280)
Total net position	$ (5,047,069)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 63,699,566	$ 302,794	$ 14,862,944	$ (48,533,828)
Instruction-Related Services:				
Supervision of instruction	5,738,990	3,827	1,625,732	(4,109,431)
Instructional library, media and technology	882,075	78	19,745	(862,252)
School site administration	8,000,150	182,031	1,400,326	(6,417,793)
Pupil Support Services:				
Home-to-school transportation	1,571,863	-	735,935	(835,928)
Food services	2,912,197	1,371,402	1,332,896	(207,899)
All other pupil services	6,761,059	7,398	2,835,023	(3,918,638)
General Administration Services:				
Data processing services	1,562,606	-	-	(1,562,606)
Other general administration	5,608,237	101,242	614,020	(4,892,975)
Plant services	7,926,445	102,035	1,688,146	(6,136,264)
Ancillary services	1,125,436	5,015	93,780	(1,026,641)
Community services	365,418	502	11,487	(353,429)
Enterprise activities	360,638	-	-	(360,638)
Transfers between agencies	31,012,788	176,305	28,056,567	(2,779,916)
Interest on long-term debt	3,131,104	-	-	(3,131,104)
Total Governmental Activities	$ 140,658,572	$ 2,252,629	$ 53,276,601	(85,129,342)

General Revenues:	
Property taxes	32,871,375
Federal and state aid not restricted to specific purpose	55,270,946
Interest and investment earnings	121,555
Interagency revenues	1,023,231
Miscellaneous	1,411,313
Total general revenues	90,698,420
Change in net position	5,569,078
Net position - July 1, 2016	(10,616,147)
Net position - June 30, 2017	$ (5,047,069)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 16,786,431	$ -	$ 53,096,689	$ 11,942,678	$ 7,424,209	$ 89,250,007
Investments	238,959	-	-	-	-	238,959
Accounts receivable	3,575,081	-	85,651	20,890	428,195	4,109,817
Due from other funds	411,502	-	500,000	-	5,936	917,438
Inventories	36,953	-	-	-	41,080	78,033
Prepaid expenditures	13,113	-	-	-	-	13,113
Total Assets	$ 21,062,039	$ -	$ 53,682,340	$ 11,963,568	$ 7,899,420	$ 94,607,367
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 4,269,817	$ -	$ 3,476,520	$ -	$ 117,501	$ 7,863,838
Due to other funds	5,936	-	-	-	911,502	917,438
Unearned revenue	36,138	-	-	-	-	36,138
Total Liabilities	4,311,891	-	3,476,520	-	1,029,003	8,817,414
Fund Balances						
Nonspendable	149,816	-	-	-	46,080	195,896
Restricted	3,318,406	-	50,205,820	11,963,568	6,776,293	72,264,087
Assigned	7,121,389	-	-	-	48,044	7,169,433
Unassigned	6,160,537	-	-	-	-	6,160,537
Total Fund Balances	16,750,148	-	50,205,820	11,963,568	6,870,417	85,789,953
Total Liabilities and Fund Balances	$ 21,062,039	$ -	$ 53,682,340	$ 11,963,568	$ 7,899,420	$ 94,607,367

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds			$ 85,789,953
Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $209,315,043, and the accumulated depreciation is ($90,104,067).			119,210,976
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB obligation at the end of the period was:			(2,266,431)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(1,622,623)
Deferred amounts on refunding represent amounts paid to an escrow agent to defease the outstanding debt at the time of the repayment less the associated cost. In the government-wide statements it is recognized as either a deferred inflow or outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			(684,419)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources	19,927,172	
	Deferred inflows of resources	(4,590,365)	15,336,807
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(93,334,849)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	121,882,932	
	Compensated absences payable	726,066	
	Certificates of participation payable	5,115,000	(127,723,998)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:			247,515
Total net position - governmental activities			$ (5,047,069)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 74,043,765	$ -	$ -	$ -	$ -	$ 74,043,765
Federal sources	2,411,300	11,711,391	-	-	1,515,323	15,638,014
Other state sources	15,093,865	18,422,583	-	101,773	3,124,258	36,742,479
Other local sources	6,535,318	-	101,638	10,081,487	2,986,845	19,705,288
Total Revenues	98,084,248	30,133,974	101,638	10,183,260	7,626,426	146,129,546
EXPENDITURES						
Current:						
Instruction	57,400,059	-	-	-	2,429,323	59,829,382
Instruction-related services:						
Supervision of instruction	5,313,596	-	-	-	130,406	5,444,002
Instructional library, media and technology	829,591	-	-	-	-	829,591
School site administration	6,168,773	-	-	-	1,242,341	7,411,114
Pupil support services:						
Home-to-school transportation	1,487,011	-	-	-	-	1,487,011
Food services	23,581	-	-	-	2,699,110	2,722,691
All other pupil services	6,356,146	-	-	-	16,900	6,373,046
Ancillary services	1,070,729	-	-	-	-	1,070,729
Community services	338,694	-	-	-	-	338,694
General administration services:						
Data processing services	1,066,479	-	-	-	-	1,066,479
Other general administration	5,453,316	-	-	-	7,731	5,461,047
Plant services	7,437,990	-	151,917	-	227,503	7,817,410
Transfers of indirect costs	(354,198)	-	-	-	354,198	-
Capital outlay	2,136,417	-	5,344,888	-	-	7,481,305
Intergovernmental transfers	878,814	30,133,974	-	-	-	31,012,788
Debt service:						
Principal	295,000	-	-	2,965,000	-	3,260,000
Interest	245,721	-	-	2,601,989	-	2,847,710
Issuance costs	-	-	321,875	163,383	-	485,258
Total Expenditures	96,147,719	30,133,974	5,818,680	5,730,372	7,107,512	144,938,257
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,936,529	-	(5,717,042)	4,452,888	518,914	1,191,289
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	500,000	-	411,744	911,744
Interfund transfers out	(411,744)	-	-	-	(500,000)	(911,744)
Proceeds from general obligation bonds	-	-	53,000,000	10,345,000	-	63,345,000
Premium on bonds issued	-	-	149,725	4,149,641	-	4,299,366
Transfer to escrow agent for defeased debt	-	-	-	(11,565,248)	-	(11,565,248)
Total Other Financing Sources and Uses	(411,744)	-	53,649,725	2,929,393	(88,256)	56,079,118
Net Change in Fund Balances	1,524,785	-	47,932,683	7,382,281	430,658	57,270,407
Fund Balances, July 1, 2016	15,225,363	-	2,273,137	4,581,287	6,439,759	28,519,546
Fund Balances, June 30, 2017	$ 16,750,148	$ -	$ 50,205,820	$ 11,963,568	$ 6,870,417	$ 85,789,953

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds		$ 57,270,407
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	7,854,031	
Depreciation expense	(5,406,567)	
Net:		2,447,464
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Expenditures for repayment of the principal portion of long-term liabilities were:		14,750,000
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:		693,293
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(67,644,366)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		(434,462)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the refunded debt. Amortization of the premium for the period is:		725,060
Deferred amounts on refunding represent amounts paid to an escrow agent for outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is:		(185,625)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(2,005,901)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave paid exceeded the amounts earned by:		(26,579)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net decrease in the internal service fund was:		(20,213)
Change in net position of governmental activities		$ 5,569,078

		Governmental Activities
		Internal Service Fund
ASSETS		
Cash	$	207,342
Accounts receivable		40,173
Total assets		247,515
NET POSITION		
Restricted for insurance claims	$	247,515

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 1,259,100
Other revenues	329,107
Total operating revenues	1,588,207
OPERATING EXPENSES	
Services and other operating expenditures	1,608,420
Operating Income (Loss)	(20,213)
Net position, July 1, 2016	267,728
Net position, June 30, 2017	$ 247,515

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 2,638,289
Cash received from other local sources	294,701
Cash payments for payroll, insurance and operating costs	(2,740,282)
Net cash provided by operating activities	192,708
Cash, July 1, 2016	14,634
Cash, June 30, 2017	$ 207,342
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ (20,213)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivables and amounts due from other funds	1,344,783
Increase in amounts due to other funds	(1,131,862)
Net cash provided by operating activities	$ 192,708

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2017

	Agency Funds
	Student Body Funds
Assets	
Cash	$ 437,446
Total Assets	$ 437,446
Liabilities	
Due to student groups	$ 437,446
Total Liabilities	$ 437,446

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Castro Valley Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

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

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Castro Valley Unified School District Financing Corporation (the Corporation) financial activity is presented in the financial statements. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects which does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Planning Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

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

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

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

Special Revenue Funds:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

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

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

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

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

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one self-insurance fund:

Self-Insurance Fund: This fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

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

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

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of $17,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets consisting of land, building, and equipment in the amount of $3,176,812 have been pledged as collateral for the certificates of participation described in Note 7.

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

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	2-20 years
Vehicles	8 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans".

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

6. Compensated Absences

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

7. Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances

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

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

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

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

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

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

9. Net Position

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Net Position (continued)

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

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

F. Minimum Fund Balance Policy

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

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

G. Property Tax Calendar

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

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. Self-Insurance Internal Service Fund

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements

During the 2016-17 fiscal year, the following GASB Pronouncements became effective:

1. **Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)***
   The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

2. **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)***
   This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

   - Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
   - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
   - OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

3. **Statement No. 77, *Tax Abatement Disclosures (Issued 08/15)***
   For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

4. **Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)***
   This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements (continued)

4. Statement No. 78 (continued)
employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

5. Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)*
This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

6. Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)*
The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017, are reported at fair value and consisted of the following:

	Governmental Activities			
	Governmental Funds	Internal Service Fund	Total	Fiduciary Funds
Pooled Funds:				
Cash in county treasury	$ 87,803,286	$ 186,141	$ 87,989,427	$ -
Total Pooled Funds	87,803,286	186,141	87,989,427	-
Deposits:				
Cash on hand and in banks	300	-	300	437,446
Cash in revolving fund	104,750	-	104,750	-
Cash collections awaiting deposit	1,341,671	21,201	1,362,872	-
Total Deposits	1,446,721	21,201	1,467,922	437,446
Total Cash	$ 89,250,007	$ 207,342	$ 89,457,349	$ 437,446
Investments:				
Local Agency Investment Fund	$ 238,959	$ -	$ 238,959	

NOTE 2 – CASH AND INVESTMENTS (continued)

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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

As of June 30, 2017, $248,906 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Pooled Investments
The District maintains deposits in the State's Local Agency Investment Fund (LAIF). Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classification is required.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:					
Categorical aid programs	$ 780,370	$ -	$ -	$ 209,119	$ 989,489
State Government:					
LCFF	152,097	-	-	-	152,097
Lottery	891,441	-	-	-	891,441
Other state programs	807,947	-	-	92,263	900,210
Local:					
Interest	189,852	85,651	20,890	12,138	308,531
Other local	753,374	-	-	114,675	868,049
Total	$ 3,575,081	$ 85,651	$ 20,890	$ 428,195	$ 4,109,817

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2017, consisted of the following:

	Due To Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 411,502	$ 411,502
Building Fund	-	500,000	500,000
Non-Major Governmental Funds	5,936	-	5,936
Total	$ 5,936	$ 911,502	$ 917,438

General Fund due to Adult Education Fund for salary expenses	$ 1,060
General Fund due to Cafeteria Fund for salary expenses	4,876
Adult Education Fund due to General Fund for indirect costs and liability payroll	225,104
Child Development Fund due to General Fund for cash loan	51,509
Cafeteria Fund due to General Fund for indirect costs and liability payroll	127,158
Capital Facilities Fund due to General Fund for developer fee administrative costs	7,731
County School Facilities Fund due to Building Fund for interfund transfer after cash was closed	500,000
Total	$ 917,438

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2017, consisted of the following:

General Fund transfer to Adult Education Fund for adult education revenue transfer	$	102,215
General Fund transfer to Cafeteria Fund for deficit operation costs		309,529
County School Facilities Fund transfer to Building Fund for covering expenses and operational costs		500,000
	$	911,744

NOTE 5 – FUND BALANCES

At June 30, 2017, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 99,750	$ -	$ -	$ 5,000	$ 104,750
Stores inventories	36,953	-	-	41,080	78,033
Prepaid expenditures	13,113	-	-	-	13,113
Total Nonspendable	149,816	-	-	46,080	195,896
Restricted:					
Categorical programs	3,318,406	-	-	2,100,126	5,418,532
Capital projects	-	50,205,820	-	4,676,167	54,881,987
Debt service	-	-	11,963,568	-	11,963,568
Total Restricted	3,318,406	50,205,820	11,963,568	6,776,293	72,264,087
Assigned:					
Negotiated settlement for 2017-18	1,420,547	-	-	-	1,420,547
Emergency and radio comm system	165,000	-	-	-	165,000
Maintenance forklift purchase	50,000	-	-	-	50,000
LCFF supplemental carryover	956,190	-	-	-	956,190
CTE equipment/furniture	120,000	-	-	-	120,000
Chromebooks/instructional materials	94,251	-	-	-	94,251
Routine restricted maintenance	500,000	-	-	-	500,000
Set-aside for claims proceedings	173,000	-	-	-	173,000
Furniture/equipment replacement	80,000	-	-	-	80,000
CFA	140,438	-	-	-	140,438
Textbook adoption/instructional materials	1,840,000	-	-	-	1,840,000
Solar inventory replacement	658,421	-	-	-	658,421
Medi-Cal reserves	122,702	-	-	-	122,702
Copier replacement	100,000	-	-	-	100,000
Lottery	567,003	-	-	-	567,003
Postemployment benefits	133,837	-	-	-	133,837
Adult education program	-	-	-	48,044	48,044
Total Assigned	7,121,389	-	-	48,044	7,169,433
Unassigned:					
Reserve for economic uncertainties	6,160,537	-	-	-	6,160,537
Total Unassigned	6,160,537	-	-	-	6,160,537
Total	$ 16,750,148	$ 50,205,820	$ 11,963,568	$ 6,870,417	$ 85,789,953

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	$ 23,256,124	$ -	$ -	$ 23,256,124
Construction in progress	977,787	5,398,687	977,787	5,398,687
Total capital assets not being depreciated	24,233,911	5,398,687	977,787	28,654,811
Capital assets being depreciated:				
Improvement of sites	42,378,893	642,034	-	43,020,927
Buildings	130,937,844	2,590,521	-	133,528,365
Equipment	3,910,364	200,576	-	4,110,940
Total capital assets being depreciated	177,227,101	3,433,131	-	180,660,232
Accumulated depreciation for:				
Improvement of sites	(27,462,133)	(2,118,416)	-	(29,580,549)
Buildings	(54,082,823)	(3,121,386)	-	(57,204,209)
Equipment	(3,152,544)	(166,765)	-	(3,319,309)
Total accumulated depreciation	(84,697,500)	(5,406,567)	-	(90,104,067)
Total capital assets being depreciated, net	92,529,601	(1,973,436)	-	90,556,165
Governmental activity capital assets, net	$ 116,763,512	$ 3,425,251	$ 977,787	$ 119,210,976

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:	
Instruction	$ 3,210,927
Supervision of instruction	224,015
Instructional library, media, and technology	23,399
School site administration	434,963
Home-to-school transportation	118,438
Food services	168,800
All other pupil services	317,291
Ancillary services	51,998
Community services	17,266
All other general administration	360,638
Data processing services	7,950
Plant services	470,882
Total depreciation	$ 5,406,567

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	$ 62,140,000	$ 63,345,000	$ 14,455,000	$ 111,030,000	$ 7,555,000
Unamortized premium	7,278,626	4,299,366	725,060	10,852,932	591,571
Total - Bonds	69,418,626	67,644,366	15,180,060	121,882,932	8,146,571
Certificates of Participation	5,410,000	-	295,000	5,115,000	40,000
Other Postemployment Benefits	2,959,724	-	693,293	2,266,431	-
Compensated Absences	699,487	26,579	-	726,066	-
Totals	$ 78,487,837	$ 67,670,945	$ 16,168,353	$ 129,990,429	$ 8,186,571

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Certificates of participation are paid for by the General Fund. Employment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Election of 1998

The District received authorization to issue $36,555,000 of bonds at an election held on April 14, 1998, by an affirmative vote of 68.3% of the votes cast. Net proceeds of the Bonds are authorized to be used for improvements to older classrooms, to replace leaking and aging roofs, to upgrade heating, electrical lighting, and plumbing systems and science and computer laboratories, and for renovation, improvement, construction and acquisition of and additions to school facilities and grounds for the District.

Election of 2005

The District received authorization to issue $44,000,000 of bonds at an election held on November 8, 2005, by an affirmative vote of 62.8% of the votes cast. A 55% vote in favor was required. Net proceeds of the Bonds are authorized to be used to improve school libraries, build new science labs and classrooms, update campus security systems, and continue the renovation, construction and modernization of classrooms, schools and other facilities.

2006 General Obligation Refunding Bonds

On November 21, 2006, the District issued $18,565,000 of general obligation refunding bonds. Net proceeds of the bonds were used to advance refund $3,605,000 of Election of 1998, Series 1998, $6,925,000 of Election of 1998, Series 2000 and $7,165,000 of Election of 1998, Series 2001 general obligation bonds.

2012 General Obligation Refunding Bonds

On February 4, 2012, the District issued $15,790,000 of general obligation refunding bonds. Net proceeds of the bonds were used to advance refund portions of the General Obligation Bonds, Election of 1998, Series 2003 and General Obligation Bonds, Election of 2002, Series 2002 and Series 2004.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2015 General Obligation Refunding Bonds
On February 19, 2015, the District issued $38,140,000 of general obligation refunding bonds. Proceeds of the Bonds were applied to refund all of the District's outstanding General Obligation Bonds, Election of 1998, Series 2005, originally issued in the aggregate principal amount of $6,955,000, all of the District's outstanding General Obligation Bonds, Election of 2005, Series 2006, originally issued in the aggregate principal amount of $24,000,000, and all of the District's General Obligation Bonds, Election of 2005, Series 2007 and, together with the 2005 bonds and the 2006 bonds, originally issued in the aggregate principal of $20,000,000, and to pay costs of issuance of the bond. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2017, of ($476,122) remain to be amortized.

The refunding decreased the District's total debt service payments by $9,324,272. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of $7,150,292.

Measure "G"
On June 7, 2016, voters approved by more than 55% the issuance and sale of $123.0 million in general obligation bonds to finance capital facility needs approved by the voters of the District and to pay costs of issuance associated with the bonds. The bonds are general obligations of the District. The county is obligated to levy ad valorem taxes upon all the property within the District for the payment of interest on and principal of the bonds.

2017 Refunding General Obligation Bonds

On March 29, 2017, the District issued $10,345,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2017 through August 1, 2026. The net proceeds of $11,565,248 (after premiums of $1,383,631 and issuance costs of $163,383) were used to prepay the District's outstanding Election of 2006 General Obligation Refunding Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2017 of ($208,297) remain to be amortized for this refunding. As of June 30, 2017, the entre principal balance on the defeased debt amounted was repaid.

The refunding decreased the District's total debt service payments by $966,742. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of $973,179

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

The outstanding general obligation bonds issued by the District as of June 30, 2017, are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2016	Additions	Deductions	Refundings	Balance, June 30, 2017
2017A	3/29/2017	8/1/2046	2.0%-5.0%	$ 53,000,000	$ -	$ 53,000,000	$ -	$ -	$ 53,000,000
2006R	11/21/2006	8/1/2037	4.0%-4.2%	18,565,000	12,410,000	-	920,000	11,490,000	-
2012R	2/14/2012	8/1/3032	2.5%-5.0%	15,790,000	13,150,000	-	815,000	-	12,335,000
2015R	2/19/2015	8/1/2037	2.0%-5.0%	38,140,000	36,580,000	-	1,230,000	-	35,350,000
2017R	3/29/2017	8/1/2026	2.0%-5.0%	10,345,000	-	10,345,000	-	-	10,345,000
					$ 62,140,000	$ 63,345,000	$ 2,965,000	$ 11,490,000	$ 111,030,000

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	$ 7,555,000	$ 4,214,974	$ 11,769,974
2018-2019	7,420,000	4,398,475	11,818,475
2019-2020	5,750,000	4,128,225	9,878,225
2020-2021	3,320,000	3,932,800	7,252,800
2021-2022	3,490,000	3,782,063	7,272,063
2022-2027	19,730,000	16,518,850	36,248,850
2027-2032	15,375,000	12,324,125	27,699,125
2032-2037	16,335,000	8,618,475	24,953,475
2037-2042	12,650,000	5,476,400	18,126,400
2042-2047	19,405,000	2,155,100	21,560,100
Totals	$ 111,030,000	$ 65,549,487	$ 176,579,487

B. Certificates of Participation

On September 8, 2011, the District issued $6,340,000 Certificates of Participation pursuant to a lease agreement with the Castro Valley Financing Corporation for the purposes of financing a portion of the costs of construction and installation of solar energy generating facilities at certain public schools within the District, and to pay issuance costs. The certificates were issued as follows: Serial Certificates of $6,340,000 with stated interest rates of 3.0%, maturing between September 1, 2012 and 2016, Term Certificates of $1,370,000 and $3,310,000 with a stated interest rates of 4.375% and 5.0%, and are due September 1, 2026, and September 1, 2032, respectively. As of June 30, 2017, the principal balance outstanding was $5,115,000.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	$ 40,000	$ 238,863	$ 278,863
2018-2019	60,000	237,363	297,363
2019-2020	85,000	235,188	320,188
2020-2021	110,000	232,125	342,125
2021-2022	140,000	227,887	367,887
2022-2027	1,370,000	994,188	2,364,188
2027-2032	2,595,000	533,125	3,128,125
2032-2033	715,000	17,875	732,875
Totals	$ 5,115,000	$ 2,716,614	$ 7,831,614

NOTE 8 – JOINT VENTURES

The District is a member of the Alameda County School Insurance Group (ACSIG), East Bay School Insurance Group (EBSIG), and the Northern California Regional Excess Liability Fund (Nor-Cal ReLiEF), and Schools Association for Excess Risks (SAFER) public entity risk pools and the South Bay Transportation Joint Powers Authority (SoBTJPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for transportation services received from JPA are paid to the SoBTJPA. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

Condensed current financial information is shown below. For those JPA's not displayed below, current audited financial information is generally available from the respective entities.

	Northern California ReLiEF	EBSIG	ACSIG
Total assets	$ 68,292,756	$ 2,799,528	$ 38,370,101
Total deferred outflows	-	-	44,203
Total liabilities	52,527,059	1,930,330	30,612,577
Total deferred inflows	-	-	63,483
Net position	$ 15,765,697	$ 869,198	$ 7,738,244
Operating revenue	$ 51,389,058	$ 5,471,439	$ 151,870,899
Operating expenses	43,938,040	5,012,134	145,393,809
Operating income (loss)	7,451,018	459,305	6,477,090
Non-operating income (expense)	1,115,295	11,968	380,236
Change in net position	$ 8,566,313	$ 471,273	$ 6,857,326

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2017, the District had commitments with respect to unfinished capital projects of approximately $7.2 million to be paid from a combination of State and local funds.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2017.

NOTE 10 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with School Association for Excess Risks (SAFER), Northern California Regional Excess Liability fund (ReLiEF), and East Bay Schools Insurance Group (EBSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation
During the fiscal year, the District participated in the Alameda County School Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

Employee Medical Benefits
The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan. The maximum amount available to each Participant for the purchase of elected benefits with non-elective contributions is as follows: Employer pays $6,000 per employee per plan year towards medical insurance. CSEA employees and Management group employees who opt out of medical insurance will receive excess amounts as taxable compensation. The Employer may at its sole discretion provide a non-elective contribution to provide benefits for each Participant under the Plan. This amount will be set by the Employer each Plan Year in a uniform and nondiscriminatory manner. If this non-elective contribution amount exceeds the cost of benefits elected by the Participant, excess amounts will be paid to the Participant as taxable cash.

NOTE 11 – PENSION PLANS

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

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a $6,163 lump-sum death payment. There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2% increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)
CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0% at age 52 for members under *2% at 62*, increasing to a maximum of 2.5% at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2% per year.

Contributions
Active CalSTRS plan members under *2% at 60* were required to contribute 10.25% and plan members under *2% at 62* were required to contribute 9.205% of their salary in 2015-16. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate.

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 required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	$ 5,826,640	$ 1,865,536
Employee contributions paid by employer	$ -	$ -
Employer contributions paid by State	$ 3,827,326	$ -

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 71,175,280
CalPERS	$ 22,159,569
Total Net Pension Liability	$ 93,334,849

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2015	0.0910%	0.1084%
Proportion - June 30, 2016	0.0880%	0.1122%
Change - Increase (Decrease)	-0.0030%	0.0038%

For the year ended June 30, 2017, the District recognized pension expense of $9,690,766. At June 30, 2017, 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	$ 7,684,864	$ -
Differences between actual and expected experience	953,074	(1,736,240)
Changes in assumptions	-	(665,763)
Adjustment due to differences in proportions	4,019	-
Net differences between projected and actual earnings on plan investments	11,285,215	(2,188,362)
	$ 19,927,172	$ (4,590,365)

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total amount of $7,684,864 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2018	$ 1,597,680
2019	1,645,732
2020	2,558,954
2021	644,615
2022	(564,907)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – for CalSTRS

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

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

	Target Allocation		Long-Term Expected Rate of Return	
Asset Class	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	6.30%	5.71%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	100%	100%		

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 102,437,280	$ 33,062,201
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 71,175,280	$ 22,159,569
1% Increase	8.60%	8.65%
Net Pension Liability	$ 45,210,880	$ 13,080,983

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

C. Payable to the Pension Plans
At June 30, 2017, the District reported a payable of $1,025,764 and $410,611 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2017.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Castro Valley Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits *	154
Active plan members *	26
Total	180

** As of July 1, 2016, actuarial valuation*

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Castro Valley Unified School District. The District provides medical and prescription drug benefits to its participants under Blue Cross Premiere PPO, Blue Cross CaliforniaCare HMO, and Kaiser HMO, and dental benefits under Delta Dental. The HMOs both offer alternative plan designs with higher out of pocket expenses and lower premiums. The District maintains the same medical plans for its pre-65 retirees as for its active employees. Post 65 retirees have a choice of various Medicare Plans.

The District's contribution for retirees depends on classification, age, year of hire, and the applicable cap as follows:

Certificated Retirees:

A teacher hired prior to August 28, 1986, and retiring after age 55 with at least 12 years of service with the District, or between ages 50 and 55 with 30 years of service, is eligible for District-paid benefits. The retiree must be eligible for and receiving STRS benefits. District-paid health benefits continue for the lifetime of the retiree, subject to the following rules:

- Retiring on or before June 30, 1989, the District pays 100% of the retiree-only coverage.
- Retiring between July 1, 1989, and September 30, 1990: under 65 - $3,716/year; 65+-$2,460/year.
- Retiring between October 1, 1990, and September 30, 1991: under 65 -$3,911/year; 65+-$2,580.
- Retiring between October 1, 1991, and June 30, 1997: under 65 - $4,123/year; 65+-$2,712/year.
- Retiring between July 1, 1997, and June 30, 2013: under 65 - $5,552/year; 65+-no benefits.
- Retired on or after July 1, 2013: under 65 - $6,000/year; 65+-no benefits.
- District-paid dental premiums continue until the retiree reaches the age of 65.

Classified Retirees:

A classified employee hired prior to July 1, 1986, may retire after age 55 with at least 12 years of District service. The retiree must be eligible for and receiving PERS benefits. District-paid health benefits continue for the lifetime of the retiree, subject to the following rules:

- Retiring on or before September 30, 1989, the District pays 100% of the retiree-only coverage.
- Retiring between October 1, 1989, and June 30, 1998, under 65 - $3,551/year; 65+-$2,496/year.
- Retiring between July 1, 1998, and June 30, 2004, under 65 - $4,123/year; 65+-$2,712/year.
- Retiring on or after July 1, 2004: under 65 - $5,552/year; 65+-$2,712/year.
- District-paid dental premiums continue until the retiree reaches the age of 65.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

Management Retirees:
A manager hired prior to November 11, 1991, and retiring after age 55 with at 12 years of District service, or between the ages of 50 and 55 with 30 years of service is eligible for District paid medical benefits. Benefits are paid for the lifetime of the retiree, with Certificated Management retirees following the rules applicable to Certificated unit members, and Classified Management and Confidential retirees following the rules applicable to Classified unit members. Retired Board Members receive dental benefits only. District-paid dental premiums continue until age 65.

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	$ 207,542
Interest on net OPEB obligation	118,389
Adjustment to ARC	(117,623)
Annual OPEB cost	208,308
Contributions made	(901,601)
Increase in net OPEB obligation	(693,293)
Net OPEB obligation - July 1, 2016	2,959,724
Net OPEB obligation - June 30, 2017	$ 2,266,431

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2016-17 and the three preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2015	$ 818,212	85%	$ 2,830,751
2016	$ 790,069	84%	$ 2,959,724
2017	$ 208,308	433%	$ 2,266,431

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans
As of July 1, 2016, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $5.1 million and the unfunded actuarial accrued liability (UAAL) was $5.1 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay
Remaining Amortization Period	22 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4.0%
Healthcare cost trend rates:	
Dental	4%
Medical / Rx	5%-6%

Required Supplementary Information

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual* (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	$ 73,726,556	$ 74,089,390	$ 74,043,765	$ (45,625)
Federal Sources	2,647,406	2,856,436	2,421,641	(434,795)
Other State Sources	13,961,971	14,084,186	15,083,524	999,338
Other Local Sources	2,151,189	4,817,148	6,535,318	1,718,170
Total Revenues	92,487,122	95,847,160	98,084,248	2,237,088
Expenditures				
Current:				
Certificated Salaries	44,586,348	45,591,456	45,502,982	88,474
Classified Salaries	14,640,377	15,081,310	14,772,309	309,001
Employee Benefits	17,078,216	17,320,319	17,789,245	(468,926)
Books and Supplies	3,206,701	6,091,959	4,195,742	1,896,217
Services and Other Operating Expenditures	11,049,200	12,741,096	10,130,913	2,610,183
Capital Outlay	300,000	1,428,535	2,336,993	(908,458)
Intergovernmental	805,000	837,517	878,814	(41,297)
Debt Service	538,888	538,888	540,721	(1,833)
Total Expenditures	92,204,730	99,631,080	96,147,719	3,483,361
Excess (Deficiency) of Revenues Over (Under) Expenditures	282,392	(3,783,920)	1,936,529	5,720,449
Other Financing Sources and Uses				
Interfund Transfers Out	(465,275)	(411,441)	(494,013)	(82,572)
Total Other Financing Sources and Uses	(465,275)	(411,441)	(494,013)	(82,572)
Net Change in Fund Balance	(182,883)	(4,195,361)	1,442,516	5,637,877
Fund Balances, July 1, 2016	15,173,795	15,173,795	15,173,795	-
Fund Balances, June 30, 2017	$ 14,990,912	$ 10,978,434	$ 16,616,311	$ 5,637,877

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – Special Education Pass-Through Fund

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal Sources	$ 8,347,189	$ 17,489,493	$ 11,711,391	$ (5,778,102)
Other State Sources	20,030,451	18,440,739	18,422,583	(18,156)
Total Revenues	28,377,640	35,930,232	30,133,974	(5,796,258)
Expenditures				
Other Outgo	28,377,640	35,930,232	30,133,974	5,796,258
Total Expenditures	28,377,640	35,930,232	30,133,974	5,796,258
Net Change in Fund Balance	-	-	-	-
Fund Balances, July 1, 2016	-	-	-	-
Fund Balances, June 30, 2017	$ -	$ -	$ -	$ -

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	$ -	$ 6,148,416	$ 6,148,416	0.0%	$ 50,157,858	12%
July 1, 2014	$ -	$ 5,234,145	$ 5,234,145	0.0%	$ 52,665,751	10%
July 1, 2016	$ -	$ 5,064,568	$ 5,064,568	0.0%	$ 58,567,081	9%

Last Ten Fiscal Years*

	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.0880%	0.0910%	0.1103%
District's proportionate share of the net pension liability	$ 71,175,280	$ 61,264,840	$ 64,456,011
State's proportionate share of the net pension liability associated with the District	40,524,783	32,402,260	38,921,713
Totals	$ 111,700,063	$ 93,667,100	$ 103,377,724
District's covered-employee payroll	$ 44,680,559	$ 41,664,324	$ 39,809,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.30%	147.04%	161.91%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1122%	0.1084%	0.0880%
District's proportionate share of the net pension liability	$ 22,159,569	$ 15,978,267	$ 9,990,143
District's covered-employee payroll	$ 13,500,414	$ 12,069,722	$ 11,603,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.14%	132.38%	86.09%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2017

Last Ten Fiscal Years*

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 5,826,640	$ 4,794,224	$ 3,699,792
Contributions in relation to the contractually required contribution	5,826,640	4,794,224	3,699,792
Contribution deficiency (excess):	$ -	$ -	$ -
District's covered-employee payroll	$ 46,316,693	$ 44,680,559	$ 41,664,324
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 1,865,536	$ 1,599,394	$ 1,420,727
Contributions in relation to the contractually required contribution	1,865,536	1,599,394	1,420,727
Contribution deficiency (excess):	$ -	$ -	$ -
District's covered-employee payroll	$ 13,432,719	$ 13,500,414	$ 12,069,722
Contributions as a percentage of covered-employee payroll	13.89%	11.847%	11.771%

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

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Funding Progress
This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of Proportionate Share of the Net Pension Liability
This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:
- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions
This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:
- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes
There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions
There were no changes of assumptions.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Amount
General Fund:	
Employee Benefits	$ 468,926
Capital Outlay	908,458
Intergovernmental	41,297
Debt Service	1,833
Interfund Transfers Out	82,572

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Supplementary Information

The Castro Valley Unified School District was established in 1965 and consists of an area comprising approximately 68 square miles. The District operates nine elementary schools, two middle schools, one comprehensive high school, an alternative high school, a continuation high school, an adult school, and a special education and State preschool. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
Gary C. Howard	President	November, 2018
Jo A.S. Loss	Vice President	November, 2020
Monica Lee	Member	November, 2020
Lavender Lee Whitaker	Member	November, 2020
Dot Theodore	Member	November, 2018

DISTRICT ADMINISTRATORS

Parvin Ahmadi,
Superintendent

Dr. Candi Clark,
Assistant Superintendent, Business Services

Mary Boyle,
Assistant Superintendent, Education Services

Dr. Sherri Beetz,
Assistant Superintendent, Human Resources

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	$ 1,860,370	$ -	$ 388,150	$ 376,200	$ 4,603,339	$ 196,150	$ 7,424,209
Accounts receivable	180,163	51,559	188,264	554	7,342	313	428,195
Due from other funds	1,060	-	4,876	-	-	-	5,936
Inventories	-	-	41,080	-	-	-	41,080
Total Assets	$ 2,041,593	$ 51,559	$ 622,370	$ 376,754	$ 4,610,681	$ 196,463	$ 7,899,420
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 72,046	$ 50	$ 45,405	$ -	$ -	$ -	$ 117,501
Due to other funds	225,104	51,509	127,158	7,731	500,000	-	911,502
Total Liabilities	297,150	51,559	172,563	7,731	500,000	-	1,029,003
Fund Balances							
Nonspendable	5,000	-	41,080	-	-	-	46,080
Restricted	1,691,399	-	408,727	369,023	4,110,681	196,463	6,776,293
Assigned	48,044	-	-	-	-	-	48,044
Total Fund Balances	1,744,443	-	449,807	369,023	4,110,681	196,463	6,870,417
Total Liabilities and Fund Balances	$ 2,041,593	$ 51,559	$ 622,370	$ 376,754	$ 4,610,681	$ 196,463	$ 7,899,420

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES							
Federal sources	$ 250,071	$ -	$ 1,265,252	$ -	$ -	$ -	$ 1,515,323
Other state sources	2,779,311	224,174	120,773	-	-	-	3,124,258
Other local sources	1,253,145	-	1,441,526	259,380	31,451	1,343	2,986,845
Total Revenues	4,282,527	224,174	2,827,551	259,380	31,451	1,343	7,626,426
EXPENDITURES							
Current:							
Instruction	2,243,772	185,551	-	-	-	-	2,429,323
Supervision of instruction	105,338	25,068	-	-	-	-	130,406
School site administration	1,242,099	242	-	-	-	-	1,242,341
Pupil Support Services:							
Food services	-	-	2,699,110	-	-	-	2,699,110
All other pupil services	16,900	-	-	-	-	-	16,900
General Administration Services:							
Other general administration	-	-	-	7,731	-	-	7,731
Plant services	227,306	-	-	197	-	-	227,503
Transfers of indirect costs	217,866	13,313	123,019	-	-	-	354,198
Total Expenditures	4,053,281	224,174	2,822,129	7,928	-	-	7,107,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	229,246	-	5,422	251,452	31,451	1,343	518,914
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	102,215	-	309,529	-	-	-	411,744
Interfund transfers out	-	-	-	-	(500,000)	-	(500,000)
Total Other Financing Sources and Uses	102,215	-	309,529	-	(500,000)	-	(88,256)
Net Change in Fund Balances	331,461	-	314,951	251,452	(468,549)	1,343	430,658
Fund Balances, July 1, 2016	1,412,982	-	134,856	117,571	4,579,230	195,120	6,439,759
Fund Balances, June 30, 2017	$ 1,744,443	$ -	$ 449,807	$ 369,023	$ 4,110,681	$ 196,463	$ 6,870,417

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2017

	Second Period Report Certificate No. (3DA72447)	Annual Report Certificate No. (02250084)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	2,598.27	2,598.88
Fourth through Sixth	2,049.72	2,046.93
Seventh through Eighth	1,442.80	1,441.40
Ninth through Twelfth	2,932.92	2,922.72
Total Regular ADA & Extended Year	9,023.71	9,009.93
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	3.00	3.07
Fourth through Sixth	3.01	3.08
Seventh through Eighth	1.52	1.40
Ninth through Twelfth	5.39	5.49
Total Special Education, Nonpublic, Nonsectarian Schools	12.92	13.04
Total ADA	9,036.63	9,022.97

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2017

Grade Level	Required Minutes	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	37,800	180	Complied
Grade 1	50,400	53,822	180	Complied
Grade 2	50,400	53,822	180	Complied
Grade 3	50,400	53,822	180	Complied
Grade 4	54,000	55,860	180	Complied
Grade 5	54,000	55,860	180	Complied
Grade 6	54,000	57,861	180	Complied
Grade 7	54,000	57,861	180	Complied
Grade 8	54,000	57,861	180	Complied
Grade 9	64,800	64,833	180	Complied
Grade 10	64,800	64,833	180	Complied
Grade 11	64,800	64,833	180	Complied
Grade 12	64,800	64,833	180	Complied

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2017

General Fund	(Budget) 2018 [3]	2017 [4]	2016	2015
Revenues and other financing sources	$ 92,656,512	$ 98,084,248	$ 95,734,876	$ 79,626,528
Expenditures	95,608,569	96,147,719	90,575,238	79,698,001
Other uses and transfers out	101,912	494,013	651,752	764,672
Total outgo	95,710,481	96,641,732	91,226,990	80,462,673
Change in fund balance (deficit)	(3,053,969)	1,442,516	4,507,886	(836,145)
Ending fund balance	$ 13,562,342	$ 16,616,311	$ 15,173,795	$ 10,665,909
Available reserves [1]	$ 3,962,886	$ 6,160,537	$ 3,222,961	$ 2,413,880
Available reserves as a percentage of total outgo	4.1%	6.4%	3.5%	3.0%
Total long-term debt	$ 215,138,707	$ 223,325,278	$ 155,730,944	$ 146,196,389
Average daily attendance at P-2 [2]	9,047	9,037	9,072	9,063

The General Fund balance has increased by approximately $6.0 million over the past two years. The fiscal year 2017-18 adopted budget projects a decrease of approximately $3.1 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Long-term debt has increased by over $77.1 million over the past two years.

Average daily attendance has decreased by 26 over the past two years. An increase of 10 ADA is anticipated during fiscal year 2017-18.

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

[2] Excludes Adult Education ADA.

[3] Revised Budget September, 2017.

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 256,245	
School Breakfast Program - Basic	10.553	13390	40,007	
National School Lunch Program	10.555	13523	809,635	
USDA Donated Foods	10.555	N/A	159,365	
Subtotal Child Nutrition Cluster				$ 1,265,252
Total U.S. Department of Agriculture				1,265,252
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster:				
Adult Basic Education & ESL	84.002A	14508	100,698	
Adult Secondary Education	84.002	13978	120,763	
English Literacy & Civics Education Local Grant	84.002A	14109	28,610	
Subtotal Adult Basic Education Cluster				250,071
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		680,330
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330B	23900		4,104
Title II, Part A, Supporting Effective Instruction	84.367	14341		103,230
English Language Acquisition Cluster:				
Title III, Limited English Proficiency	84.365	14346	12,624	
Title III, Immigrant Education Program	84.365	15146	6,028	
Subtotal English Language Acquisition Cluster				18,652
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		40,150
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	10,463,487	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	829,582	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	41,638	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	500,523	
Preschool Local Entitlement, Part B	84.173A	13682	1,320,547	
Preschool Staff Development	84.173A	13431	1,267	
Subtotal Special Education (IDEA) Cluster				13,157,044
Early Intervention Grants, Part C	84.181	23761		114,798
Workability II, Transition	84.126	10006		4,383
Total U.S. Department of Education				14,372,762
Total Expenditures of Federal Awards				$ 15,638,014

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

Program	Federal CFDA Number	Amount Provided to Subrecipients
Local Assistance Entitlement	84.027	$ 9,207,087
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	461,762
Preschool Local Entitlement, Part B	84.173A	1,205,914
Mental Health Allocation Plan, Part B, Sec 611	84.027	725,394
Early Intervention Grants, Part C	84.181	111,234
		$ 11,711,391

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

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

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Other Independent Auditors' Reports

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

Governing Board
Castro Valley Unified School District
Castro Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro Valley Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Castro Valley Unified School District's basic financial statements, and have issued our report thereon dated November 29, 2017.

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

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

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

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

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

Nigro + Nigro, PC

Murrieta, California
November 29, 2017

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on State Compliance
We have audited Castro Valley Unified School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Castro Valley Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2017.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Castro Valley Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Castro Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Castro Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Nigro + Nigro, PC

Murrieta, California
November 29, 2017

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

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on Compliance for Each Major Federal Program
We have audited Castro Valley Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Castro Valley Unified School District's major federal programs for the year ended June 30, 2017. Castro Valley Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, Castro Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

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Report on Internal Control Over Compliance

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

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

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

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

Nigro + Nigro, PC

Murrieta, California
November 29, 2017

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster (IDEA)

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2016-17.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2016-17.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no state award findings or questioned costs in 2016-17.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2016-001: CALPADS Unduplicated Pupil Counts	Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals: • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that one student that was reported as qualifying for free or reduced priced meals did not have a current lunch application that indicated the student was eligible for the free or reduced designation on file for the 2015-16 fiscal year.	40000	We recommend that the District work with the Child Nutrition Services department to update the CALPADS system once all applications are received. Although there is a grace period recognized at a local level, the district should update CALPADS retroactively to reflect the current year application information in the reporting software. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting, is updated to reflect the changes made in the Child Nutrition Services internal system prior to the submission of the CALPADS report.	Implemented.

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To the Governing Board
Castro Valley Unified School District
Castro Valley, California

In planning and performing our audit of the basic financial statements of Castro Valley Unified School District for the year ending June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 29, 2017, on the financial statements of Castro Valley Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our test of cash disbursements, we noted that the ASBs from the following schools did not get approval for cash disbursements from the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred.

- **Castro Valley High -** 1 of 25 disbursements
- **Creekside Middle -** 6 of 8 disbursements
- **Canyon Middle -** 8 of 8 disbursements

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

Observation: In our test of cash disbursements, we noted that the ASBs from the following schools did not retain/document sufficient evidence of receipt of goods.

- **Castro Valley High -** 3 of 25 disbursements
- **Canyon Middle -** 2 of 8 disbursements

Recommendation: We recommend that the site document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.

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ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: In our testing of cash receipts at **Castro Valley High**, we noted one receipt out of ten tested that lacked sufficient supporting documentation at the point of collection such as a ticket control worksheet. Without complete supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB accounts. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific event from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

Recommendation: We recommend that before any events are held, control procedures, such as ticket logs, tally sheets, prenumbered cash receipts, or cash register receipts, should be established that will allow for the reconciliation between money collected and event sales.

We will review the status of the current year comments during our next audit engagement.

Nigro+Nigro, PC

Murrieta, California
November 29, 2017