

12/01/2017

HAYWARD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

HAYWARD UNIFIED SCHOOL DISTRICT

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

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11, the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 46 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 on our consideration of Hayward Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hayward Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 16, 2017

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

This section of Hayward Unified School District's (HUSD) annual financial report presents the District management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017.

The District is comprised of 21 elementary schools, 5 middle schools, 3 high schools, an alternative high school, an adult education center, and a child care center for pre-school children. The District has over 20,000 students in grades Transitional Kindergarten (TK) through twelve interacting with teachers in the classroom each day, bringing with them diverse cultures, heritages, languages, academic needs, and economic conditions. The District student population is 64.4 percent Latino, 4.7 percent Caucasian, 9.3 percent African American, 7.8 percent Asian, 7.1 percent Filipino, 3.3 percent Pacific islander, 0.3 percent Native American/Alaska Native, 2.9 percent of two or more races, and 0.2 percent of students whose ethnicity is not reported.

The District offers many educational opportunities to its students: an alternative high school for students who are significantly credit deficient, an independent study program for students who prefer a non-traditional classroom setting, and home schooling programs for students who are unable to attend school due to health or other conditions. The District provides its students with a safe learning environment, opportunity and support to attain high academic achievement, and empowers students to become dynamic leaders in a global society.

FINANCIAL HIGHLIGHTS

- The General Fund, including both restricted and unrestricted funding sources, increased by approximately \$100 thousand compared to prior year's increase of \$11.5 million. In aggregate, the District's Governmental Funds increased by \$105.5 million compared to prior year's increase of \$110.1 million. The aggregate increase for 2017 was primarily due to \$134 million in proceeds from issuance of General Obligation Bonds in the Building Fund and \$5,000,000 in proceeds from issuance of capital leases within the non-major funds, along with premiums received through the issuance of the Bonds.
- Total Governmental Funds net fund balance increased by 70% compared to prior year's increase of 264%.
- Capital assets increased by \$35 million after considering net additions to assets and annual depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts; management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two types of statements:

- District-wide statements that provide both short-term and long-term information about the District's overall financial status.
- Fund Financial Statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements, but without the capital assets and long term liabilities. Governmental fund statements illustrate how basic services like regular and special education were financed in the short term, as well as what remains for future spending.

Figure A-1 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. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

Figure A-1. Major Features of the District-wide and Fund Financial Statements

Fund Statements

Type of Statements	District-wide	Governmental 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	Instances in which the District administers resources on behalf of someone else, such as student body activities.
Required financial statements	<ul style="list-style-type: none"> •statement of net position •statement of activities 	<ul style="list-style-type: none"> •balance sheet •statement of revenues, expenditures & changes in fund balances •reconciliation to government- wide financial statements 	<ul style="list-style-type: none"> •statement of fiduciary net position •statement of changes in 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
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; standard 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 year, regardless of when cash is received or paid

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows. 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.

In the government-wide financial statements, the District's activities are combined into one category:

- **Governmental Activities** - The District's basic services are included, such as general and special education, transportation, food services, adult education, and administration. Property taxes, state formula aid, and fees charged finance most of these activities.

The two government-wide statements report the District's net position:

- The Statement of Net Position reports the June 30, 2017, ending balance of assets and liabilities. The difference between the District's assets, deferred outflows, liabilities and deferred inflows, referred to as "net position," is one way to measure the District's financial health or position.
- The Statement of Activities provides detail by activity of the current year expenses and a summary of the general revenue categories, the difference of which is the change in net position. The increases or decrease in the District's net position is a general indicator of whether its financial position is improving or deteriorating.

To assess the overall health of the District, additional factors such as changes in the District's property tax base, the condition of school facilities, and changes in the State of California school funding formula must be considered.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. The change in fund balance is another way to measure the District's financial health or position. 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.
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain revenues.

The District has two kinds of funds:

- **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
2. The balances left at the end of the year available for spending

The governmental funds statements provide a detailed short-term view that helps 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 government-wide statements, a reconciliation statement is provided that explains the difference.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

- **Fiduciary funds:**

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship trust and student body funds. 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 and a statement of change in fiduciary net position. These activities are excluded from the government-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 net position at June 30, 2017, was a negative \$171.1 million. This is a net decrease of \$10.5 million, or 6.5%, compared to the previous year.

Table A-1 Hayward Unified Net Position (in millions of dollars)			
	<u>Governmental Activities</u>		Total Percentage Change
	<u>2016</u>	<u>2017</u>	
Current and Other Assets	\$ 172.4	\$ 284.4	65.0%
Capital Assets	250.9	286.0	14.0%
Total Assets	423.3	570.4	34.8%
Deferred Outflow	50.6	79.8	57.7%
Long-Term Debt Outstanding	585.4	775.5	32.5%
Other Liabilities	27.7	34.2	23.8%
Total Liabilities	613.1	809.7	32.1%
Deferred Inflow	21.4	11.6	(45.8)%
	21.4	11.6	(45.8)%
Net Investment in Capital Assets	44.7	46.4	3.8%
Restricted	33.6	38.4	14.3%
Unrestricted	(238.9)	(255.9)	(7.1)%
Total Net Position	(\$160.6)	(\$171.1)	(6.5)%

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

CHANGES IN NET POSITION

The District's total revenues were \$309.5 million, up \$14.4 million compared to the prior year (Table A-2). Property taxes and federal and state aid not restricted to specific purposes accounted for 73% of the District's total revenue. Operating grants and contributions represented 24%, and charges for services and other revenues made up the remaining 2%.

The total cost of all programs and services was \$320.1 million, up by \$29.8 million compared to the prior year. (Table A-2) The District's expenses are predominantly related to instruction, at 64.7% of total costs. Pupil services and general administration accounted for 11.1% and 6.6% of total costs, respectively. Plant services were 10.2% of costs; interest and other expenses at 7.4%.

Table A-2 Statements of Activities (in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2016</u>	<u>2017</u>	
Revenues:			
Taxes and federal and state aid not restricted to specific purposes	\$223.2	\$227.0	1.7%
Operating grants and contributions	65.6	75.1	14.5%
Charges for services	2.5	3.5	40.0%
Other local revenues	3.8	3.9	2.6%
Total Revenues	<u>295.1</u>	<u>309.5</u>	<u>4.9%</u>
Expenses:			
Instruction-related	200.0	207.1	3.6%
Pupil services	29.5	35.6	20.7%
General administration	13.1	21.1	61.1%
Plant services	30.5	32.6	6.9%
Interest and other	17.2	23.7	37.8%
Total Expenses	<u>290.3</u>	<u>320.1</u>	<u>10.3%</u>
Increase (decrease) in net position	<u>\$4.8</u>	<u>(\$10.6)</u>	<u>(320.8%)</u>

- The cost of governmental activities this year was \$320.1 million.
- Some of the cost was paid by the users of the District's programs (\$3.5 million) through charges for services.
- The federal and state governments subsidized certain programs with grants and contributions (\$75.1 million).
- Most of the District's costs (\$227 million) were paid for by District taxpayers and the taxpayers of California in general, through \$86.6 million in property taxes and \$140.4 million of unrestricted federal and state aid.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

GOVERNMENTAL ACTIVITIES

Table A-3 presents the cost of major District activities, along with each activity's net cost, which is the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost is the financial impact on the District from each of these activities.

	<u>Total Costs of Services</u>		<u>Percent</u>	<u>Net Costs of Services</u>		<u>Percent</u>
	<u>2016</u>	<u>2017</u>	<u>Change</u>	<u>2016</u>	<u>2017</u>	<u>Change</u>
Instruction	\$ 200.0	\$ 207.1	3.6%	\$ 152.5	\$ 157.5	3.3%
Student Transportation & Other Pupil Svcs	21.4	27.3	27.6%	17.6	22.6	28.3%
Food Services	8.1	8.3	2.4%	(0.7)	(0.2)	(64.5%)
General Administration	13.1	21.1	61.1%	11.1	19.2	73.1%
Plant Services	30.5	32.6	6.9%	29.9	31.8	6.5%
Interest and Other	<u>17.2</u>	<u>23.7</u>	<u>37.8%</u>	<u>11.7</u>	<u>10.5</u>	<u>(9.6%)</u>
Totals	\$ <u>290.3</u>	\$ <u>320.1</u>	<u>10.3%</u>	\$ <u>222.1</u>	\$ <u>241.4</u>	<u>8.7%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND BALANCE

At the end of this fiscal year, the District's General Fund balance, which includes unrestricted and restricted balances, increased from \$19.6 million to \$19.7 million, of which \$6.5 million is legally restricted.

The portions of ending fund balance which are not legally restricted decreased from \$13.6 million to \$13.1 million and include \$.5 million in nonspendable revolving cash, store's inventory, and prepaid expenditures, and \$12.6 million set aside for economic uncertainties.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget at various times during the year to update projections to the most current information available.

As is standard in school districts, the District's operating budget does not include GASB-required adjustments that are included in the audited financial statements. This budgetary highlights section refers only to the results of the District's adopted operating budget. Additional details are included in the 2016-17 Unaudited Actuals report, which is posted on the District's website.

The District's 2016-17 Adopted Budget projected a \$13.7 million ending unrestricted reserve balance; the final unrestricted reserve balance was \$.6 million lower at \$13.1 million. Final unrestricted revenues decreased by \$1.9 million compared to Adopted which was primarily driven by a decrease in Local Control Funding Formula (LCFF) revenue. Contributions from the Unrestricted General Fund to Special Education increased by \$2.4 million. To mitigate the impact of the reduced revenue and increased contribution to Special Education, the District reduced its unrestricted expenditures by \$3.8 million from Adopted budget projections.

For restricted resources, the District's policy is to budget as if it will fully expend available funds; any amounts not actually expended are carried over to the next year. Therefore, although the 2016-17 Adopted Budget projected only a \$5.5 million ending restricted reserve balance, the final restricted reserve balance was \$1.0 million higher at \$6.5 million which is available in 2017-18.

CAPITAL ASSETS

By the end of 2017, the District had invested \$286 million, a net increase of \$35.1 million after depreciation in a broad range of net capital assets. The site improvements were additional safety, Americans with Disabilities Act (ADA), and technology infrastructure projects funded with bond proceeds in the 2016-17 school year.

Table A-4 Hayward Unified Capital Assets (net of depreciation, in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2016</u>	<u>2017</u>	
Land	\$12.6	\$12.6	0.0%
Work in Progress	3.7	34.2	824.3%
Site Improvements	1.7	3.0	76.5%
Buildings	229.1	233.3	1.8%
Furniture and Equipment	3.8	2.9	(23.7%)
Total	<u>\$250.9</u>	<u>\$286.0</u>	<u>14.0%</u>

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2017**

LONG-TERM DEBT

At year end, the District's Outstanding Long-Term Debt increased to \$775.5 million, primarily due to issuance of new General Obligation Bonds totaling \$134.0 million and the resulting \$6.3 million in Unamortized Premiums.

Table A-5			
Hayward Unified Outstanding Long-Term Debt			
(in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total</u>
	<u>2016</u>	<u>2017</u>	<u>Percentage</u>
			<u>Change</u>
General Obligation Bond	\$ 299.0	\$ 423.9	41.8%
Unamortized Premiums	12.1	17.7	46.3%
Accreted Interest	5.6	6.4	(14.3%)
Compensated Absences	1.4	2.1	50.0%
Capital Leases	0.2	4.5	2150.0%
Certificates of Participation	14.9	14.2	(4.7%)
P G & E Energy Savings Loan	0.1	-	(100.0%)
Net Pension Liability	218.7	267.3	22.2%
Net OPEB Obligation	33.4	39.4	18.0%
Total	\$ 585.4	\$ 775.5	32.5%

FACTORS IMPACTING THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that will impact the financial forecast for 2017-18:

- As is true for all school districts, employer retirement contributions to CalSTRS and CalPERS are scheduled to increase significantly over the next several years.
- The District's enrollment declined in 2017-18, resulting in reduced revenue from the State.
- The Board of Trustees adopted a resolution on September 13, 2017, committing the District to Fiscal Solvency for 2017-18 and the two subsequent years to ensure it maintains its positive certification status.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 questions about this report or need additional financial information, contact the Chief Financial Officer at the District Office, Hayward Unified School District, 24411 Amador Street, Hayward, CA 94544.

BASIC FINANCIAL STATEMENTS

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 271,871,786
Receivables	11,985,952
Prepaid expenses	383,816
Stores inventory	128,740
Non-depreciable capital assets (Note 4)	46,826,865
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>239,237,613</u>
Total assets	<u>570,434,772</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	64,882,461
Deferred loss from refunding of debt	<u>14,900,123</u>
Total deferred outflows	<u>79,782,584</u>
LIABILITIES	
Accounts payable	33,628,392
Unearned revenue	639,332
Long-term liabilities (Note 5):	
Due within one year	10,145,628
Due after one year	<u>765,307,194</u>
Total liabilities	<u>809,720,546</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>11,588,000</u>
NET POSITION	
Net investment in capital assets	46,421,418
Restricted:	
Legally restricted programs	12,309,913
Capital projects	2,944,311
Debt service	23,168,122
Unrestricted (deficit)	<u>(255,934,954)</u>
Total net position	<u>\$ (171,091,190)</u>

See accompanying notes to financial statements.

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

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 169,433,497	\$ 312,178	\$ 38,203,502	\$ -	\$ (130,917,817)
Instruction-related services:					
Supervision of instruction	17,553,448	693,472	8,204,192	-	(8,655,784)
Instructional library, media and technology	1,711,275	16,603	364,585	-	(1,330,087)
School site administration	18,404,359	5,015	1,817,228	-	(16,582,116)
Pupil services:					
Home-to-school transportation	9,405,059	28,947	1,580,960	-	(7,795,152)
Food services	8,272,073	489,242	8,021,165	-	238,334
All other pupil services	17,944,801	186,614	2,899,124	-	(14,859,063)
General administration:					
Data processing	2,364,441	4,355	15,464	-	(2,344,622)
All other general administration	18,719,920	27,113	1,881,294	-	(16,811,513)
Plant services	32,639,172	32,951	800,672	-	(31,805,549)
Ancillary services	900,447	204	14,208	-	(886,035)
Community services	48,866	-	-	-	(48,866)
Other outgo	18,982,647	-	-	-	(18,982,647)
Interest on long-term liabilities	3,614,173	1,699,014	11,262,076	-	9,346,917
	<u>\$ 319,994,178</u>	<u>\$ 3,495,708</u>	<u>\$ 75,064,470</u>	<u>\$ -</u>	<u>\$ (241,434,000)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					61,228,487
Taxes levied for debt service					20,686,365
Taxes levied for other specific purposes					4,643,331
Federal and state aid not restricted to specific purposes					140,423,335
Interest and investment earnings					213,689
Interagency revenues					1,405,021
Miscellaneous					2,235,690
					<u>230,835,918</u>
					Change in net position
					(10,598,082)
					Net position, July 1, 2016
					(160,493,108)
					Net position, June 30, 2017
					\$ (171,091,190)

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 30,832,918	\$ 209,214,134	\$ 31,056,461	\$ 271,103,513
Cash on hand and in banks	177,444	-	102,897	280,341
Cash in revolving fund	100,000	-	2,250	102,250
Cash with Fiscal Agent	-	-	362,203	362,203
Local Agency Investment Fund	23,479	-	-	23,479
Receivables	9,515,282	222,504	2,248,166	11,985,952
Prepaid expenditures	383,816	-	-	383,816
Due from other funds	716,435	546,963	128,862	1,392,260
Stores inventory	14,571	-	114,169	128,740
	<u>41,763,945</u>	<u>209,983,601</u>	<u>34,015,008</u>	<u>285,762,554</u>
Total assets	<u>\$ 41,763,945</u>	<u>\$ 209,983,601</u>	<u>\$ 34,015,008</u>	<u>\$ 285,762,554</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 21,274,804	\$ 4,270,431	\$ 923,260	\$ 26,468,495
Unearned revenue	139,951	-	499,381	639,332
Due to other funds	675,825	-	716,435	1,392,260
	<u>22,090,580</u>	<u>4,270,431</u>	<u>2,139,076</u>	<u>28,500,087</u>
Total liabilities	<u>22,090,580</u>	<u>4,270,431</u>	<u>2,139,076</u>	<u>28,500,087</u>
Fund balances:				
Nonspendable	498,387	-	116,419	614,806
Restricted	6,546,414	205,713,170	31,759,513	244,019,097
Unassigned	12,628,564	-	-	12,628,564
	<u>19,673,365</u>	<u>205,713,170</u>	<u>31,875,932</u>	<u>257,262,467</u>
Total fund balances	<u>19,673,365</u>	<u>205,713,170</u>	<u>31,875,932</u>	<u>257,262,467</u>
Total liabilities and fund balances	<u>\$ 41,763,945</u>	<u>\$ 209,983,601</u>	<u>\$ 34,015,008</u>	<u>\$ 285,762,554</u>

See accompanying notes to financial statements.

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

Total fund balances - Governmental Funds \$ 257,262,467

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 \$435,180,245 and the accumulated depreciation is \$149,115,767 (Note 4). 286,064,478

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2017 consisted of (Note 5):

General Obligation Bonds	\$ (423,916,221)	
Unamortized premiums	(17,677,541)	
Accreted interest	(6,390,619)	
Certificates of Participation	(14,175,000)	
Capitalized lease obligations	(4,475,891)	
PG&E energy savings loan	(11,700)	
Net OPEB obligation (Note 6)	(39,417,353)	
Net pension liability (Notes 8 and 9)	(267,257,000)	
Compensated absences	<u>(2,131,497)</u>	(775,452,822)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt. 14,900,123

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

Deferred outflows of resources relating to pensions	\$ 64,882,461	
Deferred inflows of resources relating to pensions	<u>(11,588,000)</u>	53,294,461

In the governmental funds, interest on long-term liabilities 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. (7,159,897)

Total net position - governmental activities \$ (171,091,190)

See accompanying notes to financial statements.

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

	General Fund	Building Fund	All Non- Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 136,448,195	\$ -	\$ -	\$ 136,448,195
Local sources	<u>56,031,548</u>	<u>-</u>	<u>-</u>	<u>56,031,548</u>
Total LCFF	<u>192,479,743</u>	<u>-</u>	<u>-</u>	<u>192,479,743</u>
Federal sources	20,428,439	1,497,028	11,955,124	33,880,591
Other state sources	29,721,778	-	6,305,084	36,026,862
Other local sources	<u>20,553,229</u>	<u>771,899</u>	<u>23,540,780</u>	<u>44,865,908</u>
Total revenues	<u>263,183,189</u>	<u>2,268,927</u>	<u>41,800,988</u>	<u>307,253,104</u>
Expenditures:				
Current:				
Certificated salaries	123,023,319	-	2,719,219	125,742,538
Classified salaries	47,319,969	220,860	5,916,129	53,456,958
Employee benefits	44,938,473	56,021	2,217,122	47,211,616
Books and supplies	7,547,719	713,596	3,128,125	11,389,440
Contract services and operating expenditures	31,952,406	312,985	1,924,242	34,189,633
Other outgo	3,429,173	-	-	3,429,173
Capital outlay	4,635,887	33,610,446	4,715,344	42,961,677
Debt service:				
Principal retirement	733,676	-	9,791,409	10,525,085
Interest	<u>102,401</u>	<u>-</u>	<u>17,997,153</u>	<u>18,099,554</u>
Total expenditures	<u>263,683,023</u>	<u>34,913,908</u>	<u>48,408,743</u>	<u>347,005,674</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(499,834)</u>	<u>(32,644,981)</u>	<u>(6,607,755)</u>	<u>(39,752,570)</u>
Other financing sources (uses):				
Transfers in	734,303	-	136,294	870,597
Transfers out	(136,294)	-	(734,303)	(870,597)
Proceeds from the issuance of long-term liabilities	-	134,000,000	5,000,000	139,000,000
Debt issuance premiums	<u>-</u>	<u>-</u>	<u>6,264,289</u>	<u>6,264,289</u>
Total other financing sources (uses)	<u>598,009</u>	<u>134,000,000</u>	<u>10,666,280</u>	<u>145,264,289</u>
Change in fund balances	98,175	101,355,019	4,058,525	105,511,719
Fund balances, July 1, 2016	<u>19,575,190</u>	<u>104,358,151</u>	<u>27,817,407</u>	<u>151,750,748</u>
Fund balances, June 30, 2017	<u>\$ 19,673,365</u>	<u>\$ 205,713,170</u>	<u>\$ 31,875,932</u>	<u>\$ 257,262,467</u>

See accompanying notes to financial statements.

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

Net change in fund balances - Total Governmental Funds	\$ 105,511,719
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	42,961,677
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(7,816,416)
In governmental funds, deferred inflows and deferred outflows of resources are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt.	(701,129)
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position (Note 5).	(139,000,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	10,525,085
In the governmental funds, premiums associated with the issuance of debt are recognized as other financing sources in the period incurred. In the government-wide statement of activities, premiums are amortized over the life of the related debt (Note 5).	(5,555,639)
In the governmental funds, accreted interest on capital appreciation bonds is recognized in the period that it becomes due. In the government-wide statement of activities, accreted interest is recognized in the period that it is incurred (Note 5).	(773,691)
In the governmental funds, net OPEB costs are recognized when employer contributions are made. In the statement of activities, net OPEB costs are recognized on the accrual basis (Note 5 and 6).	(6,007,629)
In governmental funds, interest on long-term liabilities 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.	(116,923)

See accompanying notes to financial statements.

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

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	(8,894,937)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(730,199)</u>
Change in net position of governmental activities	<u>\$ (10,598,082)</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2017

	Student Body <u>Fund</u>
ASSETS	
Cash on hand and in banks (Note 2)	\$ <u>329,172</u>
LIABILITIES	
Due to student groups	\$ <u>329,172</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hayward 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:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and retain primary accountability for fiscal matters.

The District receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

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

Building Fund:

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

B - Other Funds

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

Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This includes the Capital Facilities, and Special Reserve for Capital Outlay Funds.

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

The Agency Fund is a Fiduciary Fund for which the District acts as an agent. The District operates one Agency fund, the Student Body Fund, which accounts for all cash activity and assets of the various student bodies of the District.

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2017.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt, which comprises the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or new debt. Amortization of deferred loss on refunding for the year ended June 30, 2017 totaled \$701,129. The District has also recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position reports 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 future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 40,406,142</u>	<u>\$ 24,476,319</u>	<u>\$ 64,882,461</u>
Deferred inflows of resources	<u>\$ 9,331,000</u>	<u>\$ 2,257,000</u>	<u>\$ 11,588,000</u>
Net pension liability	<u>\$ 192,118,000</u>	<u>\$ 75,139,000</u>	<u>\$ 267,257,000</u>
Pension expense	<u>\$ 32,273,797</u>	<u>\$ 11,100,312</u>	<u>\$ 43,374,109</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Compensated absences totaling \$2,131,497 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

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

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

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance:

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

D - Assigned Fund Balance:

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

E - Unassigned Fund Balance:

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

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

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

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

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

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. All encumbrances are liquidated by June 30.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 271,103,513	\$ -
Local Agency Investment Fund	23,479	-
Deposits:		
Revolving cash fund	102,250	-
Cash on hand and in banks	280,341	329,172
Cash with Fiscal Agent	362,203	-
Total cash and investments	\$ 271,871,786	\$ 329,172

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund: Hayward Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The amortized cost of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the amortized cost as provided by LAIF, as a percentage of the entire LAIF portfolio. The funds maintained in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds may be withdrawn at any time up to the total amount on deposit with LAIF. Most withdrawals are accessible and transferable to the District's master account on the same day as the request, except for amounts greater than \$10,000,000, which require at least twenty-four hours' advance notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2017, this fund was yielding approximately .75% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the District's accounts were \$711,763, and the bank balances were \$678,162, of which \$102,999 was uninsured by the FDIC.

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

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

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

Cash with Fiscal Agent: Cash with Fiscal Agent represents amounts held by a third party custodian in the District's name, to be used for capital projects.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS

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

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 716,435	\$ 675,825
Building	546,963	-
Non-Major Funds:		
Adult Education	128,862	632,900
Child Development	-	70,987
Cafeteria	-	12,548
	-	12,548
Totals	\$ 1,392,260	\$ 1,392,260

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

Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to cover uncollectible student meal accounts.	\$ 136,294
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	151,807
Transfer from the Child Development Fund to the General Fund for indirect cost support.	191,569
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	390,927
	\$ 870,597

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Non-depreciable:				
Land	\$ 12,623,420	\$ -	\$ -	\$ 12,623,420
Work In Progress	3,690,270	30,513,175	-	34,203,445
Depreciable:				
Buildings	327,126,334	10,543,279	-	337,669,613
Site improvements	24,223,384	1,625,164	-	25,848,548
Equipment	<u>24,555,160</u>	<u>280,059</u>	<u>-</u>	<u>24,835,219</u>
Totals, at cost	<u>392,218,568</u>	<u>42,961,677</u>	<u>-</u>	<u>435,180,245</u>
Less accumulated depreciation:				
Buildings	(98,019,586)	(6,336,143)	-	(104,355,729)
Site improvements	(22,570,926)	(257,275)	-	(22,828,201)
Equipment	<u>(20,708,839)</u>	<u>(1,222,998)</u>	<u>-</u>	<u>(21,931,837)</u>
Total accumulated depreciation	<u>(141,299,351)</u>	<u>(7,816,416)</u>	<u>-</u>	<u>(149,115,767)</u>
Capital assets, net	<u>\$ 250,919,217</u>	<u>\$ 35,145,261</u>	<u>\$ -</u>	<u>\$ 286,064,478</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 57,402
Instructional supervision and administration	1,123
Instructional library, media and technology	153
School site administration	3,202
Food services	30,171
All other pupil services	75,360
Ancillary services	699
All other general administration	24,916
Centralized data processing	27,701
Plant services	<u>7,595,689</u>
Total depreciation expense	<u>\$ 7,816,416</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On July 1, 2010, the District issued Election of 2008, Series 2010A General Obligation Bonds totaling \$20,969,877 and were issued as capital appreciation bonds. In August 2015, the District refunded \$13,404,891 of the Bonds through the issuance of 2015 General Obligation Refunding Bonds. The remaining bonds after refunding bear interest at rates from 7.23% to 12.0%, and are scheduled to mature serially through August 2034.

On July 1, 2010, the District issued Election of 2008, Series 2010B General Obligation Bonds totaling \$84,030,000. The Bonds were issued as current interest bonds, bear interest at 7.35%, and are scheduled to mature through August 1, 2044.

On August 12, 2015, the District issued Election of 2014, Series 2015 General Obligation Bonds totaling \$95,000,000. The Bonds were issued as current interest bonds, bear interest at rates ranging from 3.00% to 5.00%, and are scheduled to mature through August 1, 2040.

On August 12, 2015, the District issued 2015 General Obligation Refunding Bonds totaling \$113,185,000. The proceeds were used to advance refund all of the Election of 2008, Series 2008 Bonds and a portion of the District's Election 2008, Series 2010A Bonds. The Refunding Bonds bear interest at rates ranging from 3.25% to 5.00%, and are scheduled to mature through August 2040. As of June 30, 2017, the Series 2008 refunded bonds were fully repaid. As of June 30, 2017, \$13,404,891 of the Series 2010A refunded bonds were still outstanding and scheduled to be repaid on August 1, 2020.

On May 11, 2017, the District issued Election of 2014, Series 2017 General Obligation Bonds totaling \$134,000,000. The Bonds were issued as current interest bonds, bear interest at rates ranging from 3.00% to 5.00%, and are scheduled to mature through August 1, 2042.

Repayment of all General Obligation Bonds issuances are made from tax collections received from the county which the District is located.

General Obligation Bonds

<u>Series</u>	<u>Balance July 1, 2016</u>	<u>Current Year Proceeds</u>	<u>Current Year, Maturities</u>	<u>Balance June 30, 2017</u>
Election 2008, Series 2010A	\$ 6,764,744	\$ -	\$ 563,523	\$ 6,201,221
Election 2008, Series 2010B	84,030,000	-	-	84,030,000
Election 2014, Series 2015	95,000,000	-	8,500,000	86,500,000
2015 GO Refunding Bonds	113,185,000	-	-	113,185,000
Election 2014, Series 2017	<u>-</u>	<u>134,000,000</u>	<u>-</u>	<u>134,000,000</u>
 Total General Obligation Bonds	 <u>\$298,979,744</u>	 <u>\$134,000,000</u>	 <u>\$ 9,063,523</u>	 <u>\$423,916,221</u>

Accreted Interest

<u>Series</u>	<u>Beginning</u>	<u>Accretion</u>	<u>Deductions</u>	<u>Total</u>
2010A	<u>\$ 5,616,928</u>	<u>\$ 1,355,168</u>	<u>\$ 581,477</u>	<u>\$ 6,390,619</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The General Obligation Bonds are scheduled to mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,658,600	\$ 16,110,542	\$ 22,769,142
2019	5,040,696	16,298,547	21,339,243
2020	952,985	16,641,258	17,594,243
2021	988,365	17,015,878	18,004,243
2022	2,530,079	15,304,163	17,834,242
2023-2027	26,894,035	74,881,803	101,775,838
2028-2032	55,955,441	72,232,159	128,187,600
2033-2037	89,266,020	72,164,874	161,430,894
2038-2042	167,820,000	34,809,388	202,629,388
2043-2045	<u>67,810,000</u>	<u>3,518,813</u>	<u>71,328,813</u>
	<u>\$ 423,916,221</u>	<u>\$ 338,977,425</u>	<u>\$ 762,893,646</u>

Certificates of Participation (COPs): On August 14, 2012, the District issued 2012 Refunding Certificates of Participation (Refunding COPs) totaling \$15,565,000. The Refunding COPs bear interest at rates ranging from 3.00% to 4.10% and mature through June 1, 2032. The proceeds were used to assist in prepayment of the outstanding balance of the 2009 Lease Financing agreement, as well as the 2001 COPs.

Scheduled payments for the Refunding COPs are as follows:

Year Ending <u>June 30,</u>	<u>COPs Payments</u>
2018	\$ 1,234,554
2019	1,259,554
2020	1,257,804
2021	1,260,304
2022	1,036,102
2023-2027	6,819,312
2028-2032	<u>6,546,963</u>
Total payments	19,414,593
Less amount representing interest	<u>(5,239,593)</u>
Net present value of minimum payments	<u>\$ 14,175,000</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases computers, office equipment, buses and facilities under long-term lease purchase agreements. The District has included in Equipment, capital assets with a historical cost of \$6,830,150 and accumulated depreciation of \$2,338,789 for assets acquired under capitalized lease obligations. The following is a schedule of future lease payments:

Year Ending <u>June 30,</u>	<u>Lease Payments</u>
2018	\$ 1,012,814
2019	417,776
2020	448,480
2021	462,328
2022	479,852
2023-2026	<u>2,092,838</u>
Total payments	4,914,088
Less amount representing interest	<u>(438,197)</u>
Net present value of minimum payments	<u><u>\$ 4,475,891</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2017 is shown below:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 298,979,744	\$ 134,000,000	\$ 9,063,523	\$ 423,916,221	\$ 6,658,600
Unamortized premiums	12,121,902	6,264,289	708,650	17,677,541	741,486
Accreted interest	5,616,928	1,355,168	581,477	6,390,619	851,400
Certificates of Participation	14,880,000	-	705,000	14,175,000	725,000
Capitalized lease obligations	167,817	5,000,000	691,926	4,475,891	892,691
PG&E Energy savings loans	76,336	-	64,636	11,700	11,700
Net OPEB obligation (Note 6)	33,409,724	9,280,979	3,273,350	39,417,353	-
Net pension liability (Notes 8 & 9)	218,749,000	48,508,000	-	267,257,000	-
Compensated absences	<u>1,401,298</u>	<u>730,199</u>	<u>-</u>	<u>2,131,497</u>	<u>264,751</u>
	<u>\$ 585,402,749</u>	<u>\$ 205,138,635</u>	<u>\$ 15,088,562</u>	<u>\$ 775,452,822</u>	<u>\$ 10,145,628</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on the PG&E energy savings loans are made from the General and Adult Education Funds. Payments for compensated absences, net pension liability, and net OPEB obligation are made from the fund for which the related employees worked.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the benefits described in Notes 8 and 9, the District provides post-employment health care benefits through a single-employer plan as follows:

PERS Minimum Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	\$112 in 2012, \$115 in 2013 and indexed to the medical component of the Consumer Price Index thereafter.
Benefits End	Paid for life
Normal Retirement Benefit	
Eligibility Age	55
Service Required	10 Years in District
Benefit Amount	Payment of one-party Kaiser Basic medical premium until age 65 then Kaiser Medicare rate plus Medicare Part B premiums until age 70 then PERS Minimum only.
Benefits End	Paid for life with reductions above.
Post-Retirement Death Benefit	PERS minimum
Pre-Retirement Death Benefit	PERS minimum
Disability Benefit	PERS minimum

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

Annual required contribution	\$ 10,030,660
Interest on net OPEB obligation	1,503,438
Adjustment to annual required contribution	<u>(2,253,119)</u>
Annual OPEB cost (expense)	9,280,979
Contributions made	<u>(3,273,350)</u>
Increase in net OPEB obligation	6,007,629
Net OPEB obligation - beginning of year	<u>33,409,724</u>
Net OPEB obligation - end of year	<u><u>\$ 39,417,353</u></u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2015	\$ 9,557,566	35.5%	\$ 27,250,283
June 30, 2016	\$ 9,419,191	34.6%	\$ 33,409,724
June 30, 2017	\$ 9,280,979	35.3%	\$ 39,417,353

As of June 30, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$72.0 million and the plan assets were zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$72.0 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$138.1 million, and the ratio of the UAAL to the covered payroll was 52.1 percent. The OPEB plan is currently operated as a pay-as-you-go plan. The Schedule of Funding Progress is included as Required Supplementary Information. The OPEB plan does not issue financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The plan does not issue separate financial statements and is not included in any other entity.

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

In the June 30, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent initially, reduced by decrements to an ultimate rate of percent after years. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 23 years.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - FUND BALANCES

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

	General Fund	Building Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 100,000	\$ -	\$ 2,250	\$ 102,250
Prepaid expenditures	383,816	-	-	383,816
Stores inventory	<u>14,571</u>	<u>-</u>	<u>114,169</u>	<u>128,740</u>
Subtotal nonspendable	<u>498,387</u>	<u>-</u>	<u>116,419</u>	<u>614,806</u>
Restricted:				
Legally restricted programs	6,546,414	-	5,647,080	12,193,494
Capital projects	-	205,713,170	2,944,311	208,657,481
Debt service	<u>-</u>	<u>-</u>	<u>23,168,122</u>	<u>23,168,122</u>
Subtotal restricted	<u>6,546,414</u>	<u>205,713,170</u>	<u>31,759,513</u>	<u>244,019,097</u>
Unassigned:				
Designated for economic uncertainty	<u>12,628,564</u>	<u>-</u>	<u>-</u>	<u>12,628,564</u>
Total fund balances	<u>\$ 19,673,365</u>	<u>\$205,713,170</u>	<u>\$ 31,875,932</u>	<u>\$257,262,467</u>

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN

General Information about the State Teachers’ Retirement Plan

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

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

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

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

(Continued)

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

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

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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

Employers – 12.58 percent of applicable member earnings.

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

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

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

The District contributed \$15,307,142 to the plan for the fiscal year ended June 30, 2017.

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below:

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

- (1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- (2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.
- (3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

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

District’s proportionate share of the net pension liability	\$ 192,118,000
State’s proportionate share of the net pension liability associated with the District	<u>109,380,000</u>
Total	<u>\$ 301,498,000</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2016, the District’s proportion was 0.238 percent, which was a decrease of 0.007 percent from its proportion measured as of June 30, 2015.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

For the year ended June 30, 2017, the District recognized pension expense of \$32,273,797 and revenue of \$12,472,714 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 4,687,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	15,273,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,826,000	4,644,000
Contributions made subsequent to measurement date	<u>15,307,142</u>	<u>-</u>
Total	<u>\$ 40,406,142</u>	<u>\$ 9,331,000</u>

\$15,307,142 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 467,959
2019	\$ 467,959
2020	\$ 9,615,933
2021	\$ 6,064,617
2022	\$ 335,867
2023	\$ (1,184,335)

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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

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

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

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

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

* 20-year geometric average

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	<u>\$ 276,501,000</u>	<u>\$ 192,118,000</u>	<u>\$ 122,034,000</u>

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

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

General Information about the Public Employer’s Retirement Fund B

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

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

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

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

The District contributed \$6,699,319 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$75,139,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2016, the District’s proportion was 0.380 percent, which was an increase of 0.014 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$11,100,312. 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
Difference between expected and actual experience	\$ 3,232,000	\$ -
Changes of assumptions	-	2,257,000
Net differences between projected and actual earnings on investments	11,659,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,886,000	-
Contributions made subsequent to measurement date	<u>6,699,319</u>	<u>-</u>
Total	<u>\$ 24,476,319</u>	<u>\$ 2,257,000</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

\$6,699,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 3,456,375
2019	\$ 2,922,375
2020	\$ 6,098,250
2021	\$ 3,043,000

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

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

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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

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

* 10-year geometric average

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District’s proportionate share of the net pension liability	<u>\$ 112,108,000</u>	<u>\$ 75,139,000</u>	<u>\$ 44,355,000</u>

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

NOTE 10 - JOINT POWERS AUTHORITIES

Schools Insurance Authority: The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. The JPA agreement for the SIA provides that the SIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 and \$750,000 for each insured event for property and liability, respectively. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

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

Total assets	\$ 140,450,093
Total deferred outflows	\$ 1,580,594
Total liabilities	\$ 67,894,697
Total deferred inflows	\$ 253,160
Total net position	\$ 73,882,830
Total revenues	\$ 54,917,755
Total expenses	\$ 47,903,083
Change in net position	\$ 7,014,672

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - JOINT POWERS AUTHORITIES (Continued)

Eden Area Regional Occupational Program (EAROP): The District is a member with other school districts of a Joint Powers Authority, Eden Area Regional Occupational Program (EAROP), to provide occupational education programs for youths and adults. The following is a summary of financial information for EAROP at June 30, 2016 (the most current information available):

Total assets	\$	18,154,939
Total deferred outflows	\$	1,292,214
Total liabilities	\$	8,465,027
Total deferred inflows	\$	1,510,447
Total net position	\$	9,471,679
Total revenues	\$	8,984,241
Total expenses	\$	8,479,627
Change in net position	\$	504,614

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

NOTE 11 - CONTINGENCIES

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

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 143,545,452	\$ 136,448,195	\$ 136,448,195	\$ -
Local sources	<u>50,411,421</u>	<u>56,031,548</u>	<u>56,031,548</u>	<u>-</u>
Total LCFF	<u>193,956,873</u>	<u>192,479,743</u>	<u>192,479,743</u>	<u>-</u>
Federal sources	19,195,800	22,271,949	20,428,439	(1,843,510)
Other state sources	24,156,079	29,721,778	29,721,778	-
Other local sources	<u>19,348,961</u>	<u>21,000,497</u>	<u>20,553,229</u>	<u>(447,268)</u>
Total revenues	<u>256,657,713</u>	<u>265,473,967</u>	<u>263,183,189</u>	<u>(2,290,778)</u>
Expenditures:				
Current:				
Certificated salaries	123,287,921	123,276,669	123,023,319	253,350
Classified salaries	46,770,207	47,477,670	47,319,969	157,701
Employee benefits	45,646,187	45,048,556	44,938,473	110,083
Books and supplies	8,553,504	10,513,189	7,547,719	2,965,470
Contract services and operating expenditures	29,720,799	34,186,817	31,952,406	2,234,411
Other outgo	3,427,851	3,429,173	3,429,173	-
Capital outlay	200,310	9,338,043	4,635,887	4,702,156
Debt service:				
Principal retirement	166,065	826,557	733,676	92,881
Interest	<u>12,357</u>	<u>106,330</u>	<u>102,401</u>	<u>3,929</u>
Total expenditures	<u>257,785,201</u>	<u>274,203,004</u>	<u>263,683,023</u>	<u>10,519,981</u>
Deficiency of revenues under expenditures	<u>(1,127,488)</u>	<u>(8,729,037)</u>	<u>(499,834)</u>	<u>8,229,203</u>
Other financing sources (uses):				
Transfers in	748,644	805,586	734,303	(71,283)
Transfers out	<u>-</u>	<u>(136,294)</u>	<u>(136,294)</u>	<u>-</u>
Total other financing sources (uses)	<u>748,644</u>	<u>669,292</u>	<u>598,009</u>	<u>(71,283)</u>
Change in fund balance	(378,844)	(8,059,745)	98,175	8,157,920
Fund balance, July 1, 2016	<u>19,575,190</u>	<u>19,575,190</u>	<u>19,575,190</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 19,196,346</u>	<u>\$ 11,515,445</u>	<u>\$ 19,673,365</u>	<u>\$ 8,157,920</u>

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
August 29, 2008	\$0	\$59.6 million	\$59.6 million	0%	\$148.2 million	40.2%
July 1, 2010	\$0	\$68.0 million	\$68.0 million	0%	\$151.4 million	44.9%
July 1, 2012	\$0	\$63.1 million	\$63.1 million	0%	\$122.1 million	51.7%
June 30, 2015	\$0	\$72.0 million	\$72.0 million	0%	\$138.1 million	52.1%

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

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

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.226%	0.245%	0.238%
District's proportionate share of the net pension liability	\$132,051,000	\$164,849,000	\$192,118,000
State's proportionate share of the net pension liability associated with the District	<u>79,738,000</u>	<u>87,187,000</u>	<u>109,380,000</u>
Total net pension liability	<u>\$211,789,000</u>	<u>\$252,036,000</u>	<u>\$301,498,000</u>
District's covered payroll	\$100,648,000	\$113,651,000	\$118,379,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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

All years prior to 2015 are not available.

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.357%	0.366%	0.380%
District's proportionate share of the net pension liability	\$ 40,536,000	\$ 53,900,000	\$ 75,139,000
District's covered payroll	\$ 37,484,000	\$ 40,483,000	\$ 45,643,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

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

All years prior to 2015 are not available.

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

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 10,092,193	\$ 12,702,085	\$ 15,307,142
Contributions in relation to the contractually required contribution	<u>(10,092,193)</u>	<u>(12,702,085)</u>	<u>(15,307,142)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 113,651,000	\$ 118,379,000	\$121,678,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 4,765,296	\$ 5,407,313	\$ 6,699,319
Contributions in relation to the contractually required contribution	<u>(4,765,296)</u>	<u>(5,407,313)</u>	<u>(6,699,319)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 40,483,000	\$ 45,643,000	\$ 48,238,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

D - Schedule of District Contributions

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

E - Changes of benefit terms

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

F - Changes of assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in the June 30, 2013, 2014, and 2015 actuarial reports, respectively. There were no changes in assumptions for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
ASSETS							
Cash in County Treasury	\$ 62,866	\$ 9,352	\$ 4,123,308	\$ 2,039,358	\$ 1,684,536	\$ 23,137,041	\$ 31,056,461
Cash on hand and in banks	69,296	3,550	20,749	9,302	-	-	102,897
Cash in revolving fund	-	-	2,250	-	-	-	2,250
Cash with fiscal agent	-	-	-	362,203	-	-	362,203
Receivables	442,041	250,081	1,516,993	3,260	4,710	31,081	2,248,166
Due from other funds	128,862	-	-	-	-	-	128,862
Stores inventory	-	-	114,169	-	-	-	114,169
	<u>-</u>	<u>-</u>	<u>114,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,169</u>
Total assets	<u>\$ 703,065</u>	<u>\$ 262,983</u>	<u>\$ 5,777,469</u>	<u>\$ 2,414,123</u>	<u>\$ 1,689,246</u>	<u>\$ 23,168,122</u>	<u>\$ 34,015,008</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 70,165	\$ 70,225	\$ 123,193	\$ -	\$ 659,677	\$ -	\$ 923,260
Unearned Revenue	-	-	-	-	499,381	-	499,381
Due to other funds	<u>632,900</u>	<u>70,987</u>	<u>12,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,435</u>
Total liabilities	<u>703,065</u>	<u>141,212</u>	<u>135,741</u>	<u>-</u>	<u>1,159,058</u>	<u>-</u>	<u>2,139,076</u>
Fund balances:							
Nonspendable	-	-	116,419	-	-	-	116,419
Restricted	<u>-</u>	<u>121,771</u>	<u>5,525,309</u>	<u>2,414,123</u>	<u>530,188</u>	<u>23,168,122</u>	<u>31,759,513</u>
Total fund balances	<u>-</u>	<u>121,771</u>	<u>5,641,728</u>	<u>2,414,123</u>	<u>530,188</u>	<u>23,168,122</u>	<u>31,875,932</u>
Total liabilities and fund balances	<u>\$ 703,065</u>	<u>\$ 262,983</u>	<u>\$ 5,777,469</u>	<u>\$ 2,414,123</u>	<u>\$ 1,689,246</u>	<u>\$ 23,168,122</u>	<u>\$ 34,015,008</u>

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
Revenues:							
Federal sources	\$ 1,052,062	\$ 984,538	\$ 7,904,927	\$ -	\$ -	\$ 2,013,597	\$ 11,955,124
Other state sources	2,597,886	3,092,138	464,947	-	-	150,113	6,305,084
Other local sources	<u>368,601</u>	<u>79,966</u>	<u>559,445</u>	<u>1,863,733</u>	<u>26,279</u>	<u>20,642,756</u>	<u>23,540,780</u>
Total revenues	<u>4,018,549</u>	<u>4,156,642</u>	<u>8,929,319</u>	<u>1,863,733</u>	<u>26,279</u>	<u>22,806,466</u>	<u>41,800,988</u>
Expenditures:							
Current:							
Certificated salaries	1,321,761	1,397,458	-	-	-	-	2,719,219
Classified salaries	1,087,398	1,005,832	3,822,899	-	-	-	5,916,129
Employee benefits	600,351	653,279	963,492	-	-	-	2,217,122
Books and supplies	66,555	67,963	2,993,607	-	-	-	3,128,125
Contract services and operating expenditures	768,015	809,950	159,192	2,085	185,000	-	1,924,242
Capital outlay	-	-	-	164	4,715,180	-	4,715,344
Debt service:							
Principal retirement	22,886	-	-	705,000	-	9,063,523	9,791,409
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,704</u>	<u>-</u>	<u>17,466,449</u>	<u>17,997,153</u>
Total expenditures	<u>3,866,966</u>	<u>3,934,482</u>	<u>7,939,190</u>	<u>1,237,953</u>	<u>4,900,180</u>	<u>26,529,972</u>	<u>48,408,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>151,583</u>	<u>222,160</u>	<u>990,129</u>	<u>625,780</u>	<u>(4,873,901)</u>	<u>(3,723,506)</u>	<u>(6,607,755)</u>
Other financing (uses) sources:							
Transfers in	-	-	136,294	-	-	-	136,294
Transfers out	(151,807)	(191,569)	(390,927)	-	-	-	(734,303)
Proceeds from the issuance of long-term liabilities	-	-	-	-	5,000,000	-	5,000,000
Debt issuance premiums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,264,289</u>	<u>6,264,289</u>
Total other financing (uses) sources	<u>(151,807)</u>	<u>(191,569)</u>	<u>(254,633)</u>	<u>-</u>	<u>5,000,000</u>	<u>6,264,289</u>	<u>10,666,280</u>
Net change in fund balances	(224)	30,591	735,496	625,780	126,099	2,540,783	4,058,525
Fund balances, July 1, 2016	<u>224</u>	<u>91,180</u>	<u>4,906,232</u>	<u>1,788,343</u>	<u>404,089</u>	<u>20,627,339</u>	<u>27,817,407</u>
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 121,771</u>	<u>\$ 5,641,728</u>	<u>\$ 2,414,123</u>	<u>\$ 530,188</u>	<u>\$ 23,168,122</u>	<u>\$ 31,875,932</u>

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

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
Student Body Funds				
<u>Hayward High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>70,522</u>	\$ <u>265,178</u>	\$ <u>262,394</u>	\$ <u>73,306</u>
Liabilities:				
Due to student groups	\$ <u>70,522</u>	\$ <u>265,178</u>	\$ <u>262,394</u>	\$ <u>73,306</u>
<u>Mt. Eden High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>190,507</u>	\$ <u>355,556</u>	\$ <u>364,735</u>	\$ <u>181,328</u>
Liabilities:				
Due to student groups	\$ <u>190,507</u>	\$ <u>355,556</u>	\$ <u>364,735</u>	\$ <u>181,328</u>
<u>Tennyson High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>52,982</u>	\$ <u>147,012</u>	\$ <u>132,706</u>	\$ <u>67,288</u>
Liabilities:				
Due to student groups	\$ <u>52,982</u>	\$ <u>147,012</u>	\$ <u>132,706</u>	\$ <u>67,288</u>
<u>Southgate Elementary School</u>				
Assets:				
Cash on hand and in banks	\$ <u>6,837</u>	\$ <u>17,224</u>	\$ <u>16,811</u>	\$ <u>7,250</u>
Liabilities:				
Due to student groups	\$ <u>6,837</u>	\$ <u>17,224</u>	\$ <u>16,811</u>	\$ <u>7,250</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>320,848</u>	\$ <u>784,970</u>	\$ <u>776,646</u>	\$ <u>329,172</u>
Liabilities:				
Due to student groups	\$ <u>320,848</u>	\$ <u>784,970</u>	\$ <u>776,646</u>	\$ <u>329,172</u>

HAYWARD UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2017

Hayward Unified School District, a political subdivision of the State of California, was established on July 1, 1963. The mission of the District is to promote educational excellence by empowering students to become dynamic leaders in a global society. The District operates twenty-one elementary schools, five middle schools, three 9-12 high schools, one continuation school and an adult school. There were no changes in the boundaries of the District during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Lisa Brunner	President	December 2018
Dr. Luis Reynoso	Vice President	December 2020
Dr. Robert Carlson	Clerk	December 2020
Mr. William McGee	Member	December 2018
Dr. Annette Walker	Member	December 2020

ADMINISTRATION

Dr. Matt Wayne
Superintendent

Vacant
Assistant Superintendent, Educational Services

Vacant
Assistant Superintendent, Business Services

Ms. Delia Ruiz
Assistant Superintendent, Human Resources

Ms. Chien Wu-Fernandez
Assistant Superintendent, Student and Family Support Services

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

	Certificate # <u>3EAEFFFE</u>	Certificate # <u>EDBE96C3</u>
	Second Period <u>Report</u>	Annual <u>Report</u>
Elementary:		
Transitional Kindergarten through Third	6,777	6,919
Fourth through Sixth	5,065	5,047
Seventh through Eighth	2,952	2,956
Special Education	41	40
Total Elementary	14,835	14,962
Secondary:		
Regular Classes	4,703	4,521
Continuation Education	150	143
Special Education	44	44
Total Secondary	4,897	4,708
	19,732	19,670

See accompanying notes to supplementary information.

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

<u>Grade Level</u>	<u>Minutes Require- ment</u>	<u>2017-2018 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>				
Kindergarten	36,000	40,200	180	In Compliance
Grade 1	50,400	53,680	180	In Compliance
Grade 2	50,400	53,680	180	In Compliance
Grade 3	50,400	53,680	180	In Compliance
Grade 4	54,000	54,720	180	In Compliance
Grade 5	54,000	54,720	180	In Compliance
Grade 6	54,000	54,720	180	In Compliance
Grade 7	54,000	61,808	180	In Compliance
Grade 8	54,000	61,808	180	In Compliance
Grade 9	64,800	64,828	180	In Compliance
Grade 10	64,800	64,828	180	In Compliance
Grade 11	64,800	64,828	180	In Compliance
Grade 12	64,800	64,828	180	In Compliance

See accompanying notes to supplementary information.

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

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement	13379	\$ 3,757,616
84.027A	Special Ed: IDEA: Preschool Local Entitlement	13682	541,326
84.027	Special Ed: IDEA Mental Health Allocation Plan	14468	235,702
84.173	Special Ed: IDEA Preschool Grants	13430	<u>183,038</u>
	Subtotal Special Education Cluster		<u>4,717,682</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education	14508	390,600
84.002A	Adult Education: English Literacy	14109	149,798
84.002	Adult Education: Adult Secondary Education	13978	<u>82,523</u>
	Subtotal Adult Education Programs		<u>622,921</u>
	NCLB: Title I, Part C Programs:		
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Programs)	14326	484,451
84.011	NCLB: Title I, Part C, Migrant Ed (Summer Program)	10005	67,904
84.011	NCLB: Title I, Part C, Even Start Migrant Ed	14768	<u>37,500</u>
	Subtotal NCLB: Title I, Part C Programs		<u>589,855</u>
	NCLB: Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient Student Program	14346	689,808
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>77,513</u>
	Subtotal NCLB: Title III Programs		<u>767,321</u>
84.010	NCLB: Title I, Basic Grants Low Income and Neglected	14329	5,823,062
84.048	Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	14893	174,464
84.181	Special Ed: IDEA Early Intervention Grants	24314	103,221
84.215N	Promise Neighborhood Grant	N/A	913,251
84.287	NCLB: Title IV, 21st Century Community Learning Centers Program	14681	5,182,649
84.366	NCLB: Title II, Part B, Mathematics and Science Partnerships	14512	870,346
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	<u>726,805</u>
	Total U.S. Department of Education		<u>20,491,577</u>

(Continued)

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

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: National School Lunch	13396	\$ 5,938,960
10.559	Child Nutrition: Summer Food Service Program	13004	<u>321,267</u>
	Subtotal Child Nutrition Cluster		<u>6,260,227</u>
	Child Nutrition: CCFP Programs		
10.558	Child Nutrition: Child Care Food Program Claims Centers and Family	13393	1,533,856
10.558	Child Nutrition: CCFP Cash in Lieu of Commodities	13389	<u>110,844</u>
	Subtotal Child Nutrition: CCFP Programs		<u>1,644,700</u>
	Total U.S. Department of Agriculture		<u>7,904,927</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
17.259	WIA: High Risk Youth Formula Grant - WIOA Cluster	10171	<u>429,141</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Development: Fed Child Care - CCDF Cluster	13609	984,538
93.778	Dept. Health Services: Medi-Cal Billing	10013	<u>134,369</u>
	Total U.S. Department of Health and Human Services		<u>1,118,907</u>
<u>U.S. Corporation for National and Community Service - Passed through California Department of Education</u>			
94.006	AmeriCorps	N/A	<u>160,867</u>
	Total Federal Programs		<u>\$ 30,105,419</u>

See accompanying notes to supplementary information.

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

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

See accompanying notes to supplementary information.

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

<u>General Fund</u>	(Budget) <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues and other financing sources	<u>\$ 257,292,955</u>	<u>\$ 263,917,492</u>	<u>\$ 255,059,959</u>	<u>\$ 214,993,827</u>
Expenditures	262,374,218	263,683,023	243,115,623	223,988,744
Other uses and transfers out	<u>135,000</u>	<u>136,294</u>	<u>412,326</u>	<u>559,080</u>
Total outgo	<u>262,509,218</u>	<u>263,819,317</u>	<u>243,527,949</u>	<u>224,547,824</u>
Change in fund balance	<u>\$ (5,216,263)</u>	<u>\$ 98,175</u>	<u>\$ 11,532,010</u>	<u>\$ (9,553,997)</u>
Ending fund balance	<u>\$ 14,457,102</u>	<u>\$ 19,673,365</u>	<u>\$ 19,575,190</u>	<u>\$ 8,043,180</u>
Available reserves	<u>\$ 7,796,687</u>	<u>\$ 12,628,564</u>	<u>\$ 7,750,871</u>	<u>\$ 3,318,384</u>
Designated for economic uncertainties	<u>\$ 7,796,687</u>	<u>\$ 12,628,564</u>	<u>\$ 7,270,518</u>	<u>\$ 3,274,490</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,353</u>	<u>\$ 43,894</u>
Available reserves as percentages of total outgo	<u>2.97%</u>	<u>4.79%</u>	<u>3.18%</u>	<u>1.48%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 765,307,194</u>	<u>\$ 775,452,822</u>	<u>\$ 585,402,749</u>	<u>\$ 422,762,136</u>
Average daily attendance at P-2, excluding Adult and ROP	<u>19,795</u>	<u>19,732</u>	<u>19,929</u>	<u>19,895</u>

The General Fund fund balance has experienced a net increase of \$2,076,188 over the past three years. The fiscal year 2017-2018 budget projects a decrease of \$5,216,263. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District met the minimum requirement for the fiscal year ended June 30, 2017.

The District has recognized an operating surplus for two of the past three years, however anticipates an operating deficit for the 2017-2018 fiscal year.

Total long-term liabilities have increased by \$352,690,686 over the past two years, due primarily to the issuance of General Obligation Bonds and the implementation of GASB Statement Nos. 68 and 71.

Average daily attendance has decreased by 163 over the past two years. The District anticipates an increase of 63 ADA for the 2017-2018 fiscal year.

See accompanying notes to supplementary information.

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

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
0684 - Leadership Public School - Hayward	Separate Report
0836 - Impact Academy of Arts & Technology	Separate Report
1067 - Golden Oak Montessori	Separate Report
1514 - Knowledge Enlightens You (KEY) Academy	Separate Report
1543 - Silver Oak High Public Montessori Charter	Separate Report

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

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

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 33,880,591
Less:		
Federal interest reimbursement on Build America Bonds	N/A	(2,013,597)
Federal E-Rate telecommunications program	N/A	(1,579,270)
Medi-Cal Billing Options received for prior year awards	93.778	<u>(182,305)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 30,105,419</u>

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2017
(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2017-2018 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2017, the District did not adopt this program.

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

Board of Education
 Hayward Unified School District
 Hayward, California

Report on Compliance with State Laws and Regulations

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

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

(Continued)

The District's Independent study ADA did not meet the level requiring testing; therefore, we did not perform any procedures related to this program.

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

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

The District does not operate any Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not report any ADA for Course Based Independent Study; therefore, we did not perform any procedures related to this program.

The District submitted all required immunization assessment reports to the California Department of Public Health; therefore we did not perform any procedures related to this requirement.

The District does not have any Charter Schools included in this report; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Hayward Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Hayward Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Hayward Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Hayward Unified School District's compliance.

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2017-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Hayward Unified School District did not comply with the requirements regarding Instructional Materials. Compliance with such requirements is necessary, in our opinion, for Hayward Unified School District to comply with state laws and regulations applicable to Instructional Materials.

Qualified Opinion with State Laws and Regulations

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

(Continued)

Other Matter

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 16, 2017

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

Board of Education
Hayward Unified School District
Hayward, 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 Hayward Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hayward Unified School District's basic financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hayward 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 Hayward Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hayward Unified School District's internal control.

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

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

(Continued)

Compliance and Other Matters

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 16, 2017

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

Board of Education
Hayward Unified School District
Hayward, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 16, 2017

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.559 84.287	Child Nutrition Cluster NCLB: Title IV, 21st Century Community Learning Centers Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 903,163

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

STATE AWARDS

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

(Continued)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2017-001 STATE COMPLIANCE - INSTRUCTIONAL MATERIALS (70000)

Criteria

The District's governing board must hold a public hearing or hearings as required by California Education Code Section 60119 on or before the end of the eighth week from the first day pupils attended school for that year, prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials.

Condition

The District's public hearing and subsequent determination of textbook sufficiency was not held prior to the eighth week of the first day pupils attended school for the 2016-17 school year.

Effect

There could be an insufficiency of textbooks or instructional materials, or both, for the pupils enrolled in the District during the 2016-17 school year.

Cause

Management did not have a process in place to ensure that public hearing and subsequent determination was included on the agenda for the Board of Education within the timeline required by the California Education Code.

Fiscal Impact

Not applicable.

Recommendation

The District should implement a control to ensure the public hearing and textbook determination are completed within the time frame required by the California Education Code Section 60119.

Corrective Action Plan

The District agrees to hold the required public hearing or hearings within the proper time frame for subsequent fiscal periods.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		