

**CASTRO VALLEY
UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2018**



CASTRO VALLEY UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2018

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2018

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 1.J. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$3,028,426 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 63 to 68 and the schedule of expenditures of federal awards on page 69 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 62 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

Nigro+Nigro, PC

Murrieta, California
November 26, 2018

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

This discussion and analysis of Castro Valley Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$0.3 million due to increased property tax revenue.
- Governmental expenses were about \$137.0 million. Revenues were about \$137.3 million.
- The District acquired over \$16.8 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by \$8.7 million. This was primarily due to scheduled payments on the general obligation bonds.
- Grades K-12 average daily attendance (ADA) decreased by 68.

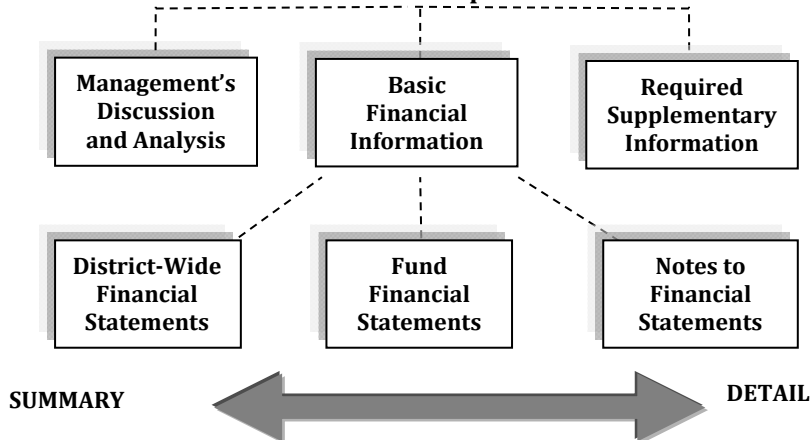
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<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 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- 1) *Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) *Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers compensation claims.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2018, than it was the year before – increasing 4.1% to \$(7.7) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2018	2017*	
Assets			
Current assets	\$ 77,147,120	\$ 93,937,444	\$ (16,790,324)
Capital assets	130,445,489	119,210,976	11,234,513
Total assets	207,592,609	213,148,420	(5,555,811)
Deferred outflows of resources	29,562,996	19,927,172	9,635,824
Liabilities			
Current liabilities	8,860,310	9,522,599	(662,289)
Long-term liabilities	124,321,863	133,018,855	(8,696,992)
Net pension liability	106,073,054	93,334,849	12,738,205
Total liabilities	239,255,227	235,876,303	3,378,924
Deferred inflows of resources	5,646,963	5,274,784	372,179
Net position			
Net investment in capital assets	46,985,100	42,688,864	4,296,236
Restricted	20,683,856	22,099,347	(1,415,491)
Unrestricted	(75,415,541)	(72,863,706)	(2,551,835)
Total net position	\$ (7,746,585)	\$ (8,075,495)	\$ 328,910

*As restated

Changes in net position, governmental activities. The District's total revenues increased 2.3% to \$137.3 million (See Table A-2). The increase is due primarily to an increase in revenue from property taxes.

The total cost of all programs and services increased 4.6% to \$137.0 million. The District's expenses are predominantly related to educating and caring for students, 64.9%. The purely administrative activities of the District accounted for just 5.5% of total costs. A significant contributor to the increase in costs was an increase in the cost for student services as well as an increase in several activities.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues:			
Charges for services	\$ 1,792,485	\$ 2,252,629	\$ (460,144)
Operating grants and contributions	43,014,498	53,276,601	(10,262,103)
General Revenues:			
Property taxes	35,870,389	32,871,375	2,999,014
Federal and state aid not restricted	53,168,930	55,270,946	(2,102,016)
Other general revenues	3,432,776	2,556,099	876,677
Total Revenues	137,279,078	146,227,650	(8,948,572)
Expenses			
Instruction-related	76,637,019	78,320,781	(1,683,762)
Pupil services	12,235,021	11,245,119	989,902
Administration	7,524,647	7,170,843	353,804
Plant services	9,001,333	7,926,445	1,074,888
Transfers between agencies	25,509,831	31,012,788	(5,502,957)
All other activities	6,042,317	4,982,596	1,059,721
Total Expenses	136,950,168	140,658,572	(3,708,404)
Increase (decrease) in net position	\$ 328,910	\$ 5,569,078	\$ (5,240,168)
Total net position	\$ (7,746,585)	\$ (8,075,495)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$69.6 million, which is below last year's ending fund balance of \$85.8 million. The primary cause of the decreased fund balance is due to increased expenditures related to projects funded by the Measure "G" Bond.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 16,616,311	\$ 96,921,897	\$ 96,630,074	\$ (187,927)	\$ 16,720,207
Special Education Pass-Through Fund	-	24,601,117	24,601,117	-	-
Adult Education Fund	1,744,443	4,267,372	4,302,105	105,658	1,815,368
Child Development Fund	-	194,140	194,140	-	-
Cafeteria Fund	449,807	2,879,544	3,117,961	-	211,390
Special Reserve Fund (Other Than Capital Outlay)	133,837	-	-	82,269	216,106
Building Fund	50,205,820	621,504	15,476,352	-	35,350,972
Capital Facilities Fund	369,023	320,131	17,155	-	671,999
County School Facilities Fund	4,110,681	58,527	10,173	-	4,159,035
Special Reserve Fund (Capital Outlay)	196,463	2,707	520	-	198,650
Bond Interest and Redemption Fund	11,963,568	10,008,813	11,752,587	-	10,219,794
	\$ 85,789,953	\$ 139,875,752	\$ 156,102,184	\$ -	\$ 69,563,521

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

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

- Revenues – increased by \$3.6 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$0.8 million due to negotiated changes which provide increased benefits to part time employees.
- Other non-personnel expenses – increased \$4.5 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$5.0 million, the actual results for the year show that revenues exceeded expenditures by roughly \$0.3 million. Actual revenues were \$0.7 million more than anticipated, and expenditures were \$4.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested \$16.8 million in new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$5.5 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Land	\$ 23,256,124	\$ 23,256,124	\$ -
Improvement of sites	12,364,133	13,440,378	(1,076,245)
Buildings	79,447,769	76,324,156	3,123,613
Equipment	1,144,059	791,631	352,428
Construction in progress	14,233,404	5,398,687	8,834,717
Total	\$ 130,445,489	\$ 119,210,976	\$ 11,234,513

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$124.3 million in general obligation bonds, certificates of participation, compensated absences and employment benefits – a decrease of 6.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2018	2017*	
General obligation bonds	\$ 113,736,361	\$ 121,882,932	\$ (8,146,571)
Certificates of participation	5,075,000	5,115,000	(40,000)
Compensated absences	640,195	726,066	(85,871)
Other postemployment benefits	4,870,307	5,294,857	(424,550)
Total	\$ 124,321,863	\$ 133,018,855	\$ (8,696,992)

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes \$15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the 2017-18 Budget Act level. The budget increases spending per student by \$579 (5.2%) over the 2017-18 Budget Act level, bringing Proposition 98 spending per student up to \$11,645.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2018*

	Total Governmental Activities
ASSETS	
Cash	\$ 73,079,119
Investments	241,783
Accounts receivable	3,720,615
Inventories	90,127
Prepaid expenses	15,476
Non-depreciable assets	37,489,528
Depreciable assets	188,372,004
Less accumulated depreciation	<u>(95,416,043)</u>
Total assets	<u>207,592,609</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	<u>29,562,996</u>
LIABILITIES	
Accounts payable	8,834,299
Unearned revenue	26,011
Long-term liabilities:	
Due or payable within one year	8,071,571
Due or payable after one year	116,250,292
Net pension liability	<u>106,073,054</u>
Total liabilities	<u>239,255,227</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	640,917
Deferred inflows of resources - pensions	<u>5,006,046</u>
Total deferred inflows of resources	<u>5,646,963</u>
NET POSITION	
Net investment in capital assets	46,985,100
Restricted for:	
Capital projects	5,029,684
Debt service	10,219,794
Categorical programs	5,434,378
Unrestricted	<u>(75,415,541)</u>
Total net position	<u>\$ (7,746,585)</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instructional Services:				
Instruction	\$ 61,640,993	\$ 12,721	\$ 11,818,215	\$ (49,810,057)
Instruction-Related Services:				
Supervision of instruction	5,714,588	1,552	1,463,665	(4,249,371)
Instructional library, media and technology	956,016	112	107,367	(848,537)
School site administration	8,325,422	767	931,178	(7,393,477)
Pupil Support Services:				
Home-to-school transportation	1,954,186	1,020	899,573	(1,053,593)
Food services	3,385,452	1,404,208	1,328,609	(652,635)
All other pupil services	6,895,383	3,379	2,641,689	(4,250,315)
General Administration Services:				
Data processing services	1,331,976	-	(52)	(1,332,028)
Other general administration	6,192,671	73,916	959,883	(5,158,872)
Plant services	9,001,333	164,977	2,132,195	(6,704,161)
Ancillary services	1,160,808	4,507	47,276	(1,109,025)
Community services	460,507	544	4,871	(455,092)
Enterprise activities	372,852	-	-	(372,852)
Transfers between agencies	25,509,831	124,782	20,680,029	(4,705,020)
Interest on long-term debt	4,048,150	-	-	(4,048,150)
Total Governmental Activities	\$ 136,950,168	\$ 1,792,485	\$ 43,014,498	(92,143,185)
General Revenues:				
Property taxes				35,870,389
Federal and state aid not restricted to specific purpose				53,168,930
Interest and investment earnings				244,938
Interagency revenues				942,426
Miscellaneous				2,245,412
Total general revenues				92,472,095
Change in net position				328,910
Net position - July 1, 2017				(5,047,069)
Restatement - change in accounting principle				(3,028,426)
Net position - July 1, 2017, as restated				(8,075,495)
Net position - June 30, 2018				\$ (7,746,585)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest and Redmption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 18,308,738	\$ 647,081	\$ 36,113,586	\$ 10,183,541	\$ 7,243,128	\$ 72,496,074
Investments	241,783	-	-	-	-	241,783
Accounts receivable	3,211,149	-	126,451	36,253	343,180	3,717,033
Due from other funds	329,733	-	4,064	-	9,447	343,244
Inventories	24,588	-	-	-	65,539	90,127
Prepaid expenditures	15,116	-	-	-	360	15,476
Total Assets	<u>\$ 22,131,107</u>	<u>\$ 647,081</u>	<u>\$ 36,244,101</u>	<u>\$ 10,219,794</u>	<u>\$ 7,661,654</u>	<u>\$ 76,903,737</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 5,150,674	\$ 647,081	\$ 893,054	\$ -	\$ 275,885	\$ 6,966,694
Due to other funds	18,109	-	75	-	329,327	347,511
Unearned revenue	26,011	-	-	-	-	26,011
Total Liabilities	<u>5,194,794</u>	<u>647,081</u>	<u>893,129</u>	<u>-</u>	<u>605,212</u>	<u>7,340,216</u>
Fund Balances						
Nonspendable	139,454	-	-	-	70,899	210,353
Restricted	3,505,758	-	35,350,972	10,219,794	6,892,765	55,969,289
Assigned	4,220,611	-	-	-	92,778	4,313,389
Unassigned	9,070,490	-	-	-	-	9,070,490
Total Fund Balances	<u>16,936,313</u>	<u>-</u>	<u>35,350,972</u>	<u>10,219,794</u>	<u>7,056,442</u>	<u>69,563,521</u>
Total Liabilities and Fund Balances	<u>\$ 22,131,107</u>	<u>\$ 647,081</u>	<u>\$ 36,244,101</u>	<u>\$ 10,219,794</u>	<u>\$ 7,661,654</u>	<u>\$ 76,903,737</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2018

Total fund balances - governmental funds \$ 69,563,521

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 \$225,861,532, and the accumulated depreciation is (\$95,416,043). 130,445,489

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was: (4,870,307)

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (1,867,605)

Deferred amounts on refunding represent amounts paid to an escrow agent to defease the outstanding debt at the time of the repayment less the associated cost. In the government-wide statements it is recognized as either a deferred inflow or outflow of resources. The remaining deferred amounts on refunding at the end of the period were: (640,917)

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

Deferred outflows of resources	29,562,996	
Deferred inflows of resources	<u>(5,006,046)</u>	24,556,950

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (106,073,054)

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

General obligation bonds payable	113,736,361	
Compensated absences payable	640,195	
Certificates of participation payable	<u>5,075,000</u>	(119,451,556)

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

590,894

Total net position - governmental activities \$ (7,746,585)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2018

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 75,687,226	\$ -	\$ -	\$ -	\$ -	\$ 75,687,226
Federal sources	2,729,874	6,180,014	-	-	1,519,022	10,428,910
Other state sources	14,099,368	18,421,103	-	91,153	3,068,814	35,680,438
Other local sources	4,405,429	-	621,504	9,917,660	3,134,585	18,079,178
Total Revenues	96,921,897	24,601,117	621,504	10,008,813	7,722,421	139,875,752
EXPENDITURES						
Current:						
Instruction	56,726,918	-	-	-	2,582,624	59,309,542
Instruction-related services:						
Supervision of instruction	5,348,899	-	-	-	145,698	5,494,597
Instructional library, media and technology	860,273	-	-	-	-	860,273
School site administration	6,204,876	-	-	-	1,351,093	7,555,969
Pupil support services:						
Home-to-school transportation	2,082,679	-	-	-	-	2,082,679
Food services	117,721	-	-	-	2,959,342	3,077,063
All other pupil services	6,583,144	-	-	-	19,373	6,602,517
Ancillary services	1,110,958	-	-	-	-	1,110,958
Community services	426,670	-	-	-	-	426,670
General administration services:						
Data processing services	792,022	-	-	-	-	792,022
Other general administration	6,303,945	24,601,117	-	-	9,400	30,914,462
Plant services	8,008,849	-	190,873	-	268,341	8,468,063
Transfers of indirect costs	(306,183)	-	-	-	306,183	-
Capital outlay	1,179,935	-	15,285,479	-	-	16,465,414
Intergovernmental transfers	908,714	-	-	-	-	908,714
Debt service:						
Principal	40,000	-	-	7,555,001	-	7,595,001
Interest	240,654	-	-	4,197,586	-	4,438,240
Total Expenditures	96,630,074	24,601,117	15,476,352	11,752,587	7,642,054	156,102,184
Excess (Deficiency) of Revenues Over (Under) Expenditures	291,823	-	(14,854,848)	(1,743,774)	80,367	(16,226,432)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	-	105,658	105,658
Interfund transfers out	(105,658)	-	-	-	-	(105,658)
Total Other Financing Sources and Uses	(105,658)	-	-	-	105,658	-
Net Change in Fund Balances	186,165	-	(14,854,848)	(1,743,774)	186,025	(16,226,432)
Fund Balances, July 1, 2017	16,750,148	-	50,205,820	11,963,568	6,870,417	85,789,953
Fund Balances, June 30, 2018	\$ 16,936,313	\$ -	\$ 35,350,972	\$ 10,219,794	\$ 7,056,442	\$ 69,563,521

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Total net change in fund balances - governmental funds \$ (16,226,432)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	16,824,189	
Depreciation expense	<u>(5,589,676)</u>	
Net:		11,234,513

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Expenditures for repayment of the principal portion of long-term liabilities were: 7,595,000

In governmental funds, other postemployment benefits (OPEB) expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between expenses and actual contributions was: 424,550

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (244,982)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the refunded debt. Amortization of the premium for the period is: 591,571

Deferred amounts on refunding represent amounts paid to an escrow agent for outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is: 43,501

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (3,518,061)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave paid exceeded the amounts earned by: 85,871

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net decrease in the internal service fund was: 343,379

Change in net position of governmental activities \$ 328,910

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities
	Internal Service Fund
CURRENT ASSETS	
Cash	\$ 583,045
Due from other funds	4,598
Accounts receivable	<u>3,582</u>
 Total assets	 <u>591,225</u>
 LIABILITIES	
Due to other funds	 <u>331</u>
 NET POSITION	
Restricted for insurance claims	 <u><u>\$ 590,894</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018*

	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES	
Other revenues	<u>1,983,883</u>
OPERATING EXPENSES	
Services and other operating expenditures	<u>1,640,504</u>
Change in net position	343,379
Net position, July 1, 2017	<u>247,515</u>
Net position, June 30, 2018	<u><u>\$ 590,894</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Fund

For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ (4,598)
Cash received from other local sources	2,020,475
Cash payments for payroll, insurance and operating costs	<u> (1,640,173)</u>
 Net cash provided by operating activities	 375,704
 Cash, July 1, 2017	 <u> 207,341</u>
 Cash, June 30, 2018	 <u><u> \$ 583,045</u></u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 343,379
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivables and amounts due from other funds	31,994
Increase in amounts due to other funds	<u> 331</u>
 Net cash provided by operating activities	 <u><u> \$ 375,704</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds
	<u>Student Body Funds</u>
Assets	
Cash	\$ 418,816
Total Assets	<u><u>\$ 418,816</u></u>
Liabilities	
Due to student groups	\$ 418,816
Total Liabilities	<u><u>\$ 418,816</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

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

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

Capital Projects Funds:

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

3. Revenues - Exchange and Non-Exchange Transactions

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

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

C. Budgetary Data

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

3. Capital Assets

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Castro Valley Unified School District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Pensions

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

9. Fund Balances

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

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

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

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

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

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

G. Property Tax Calendar

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

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

I. Self-Insurance Internal Service Fund

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

J. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements (continued)

3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018, are reported at fair value and consisted of the following:

	Rating	Governmental Activities		Total	Fiduciary Funds
		Governmental Funds	Internal Service Fund		
Pooled Funds:					
Cash in county treasury		\$ 72,339,604	\$ 581,618	\$ 72,921,222	\$ -
Total Pooled Funds		72,339,604	581,618	72,921,222	-
Deposits:					
Cash on hand and in banks		300	-	300	418,816
Cash in revolving fund		104,750	-	104,750	-
Cash collections awaiting deposit		51,420	1,427	52,847	-
Total Deposits		156,470	1,427	157,897	418,816
Total Cash		\$ 72,496,074	\$ 583,045	\$ 73,079,119	\$ 418,816
Investments:					
Local Agency Investment Fund	NA	\$ 241,783	\$ -	\$ 241,783	

Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

As of June 30, 2018, \$77,984 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Pooled Investments

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

Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:					
Categorical aid programs	\$ 1,819,480	\$ -	\$ -	\$ 233,493	\$ 2,052,973
State Government:					
Lottery	397,504	-	-	-	397,504
Other state programs	320,083	-	-	51,877	371,960
Local:					
Interest	58,348	126,451	36,253	22,253	243,305
Other local	615,735	-	-	35,556	651,291
Total	\$ 3,211,150	\$ 126,451	\$ 36,253	\$ 343,179	\$ 3,717,033

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

	Due To Other Funds				Self- Insurance Fund
	General Fund	Building Fund	Non-Major Governmental Funds	Total	
General Fund	\$ -	\$ 75	\$ 329,327	\$ 329,402	\$ 331
Building Fund	4,064	-	-	4,064	-
Non-Major Governmental Funds	9,447	-	-	9,447	-
Self-Insurance Fund	4,598	-	-	4,598	-
Total	\$ 18,109	\$ 75	\$ 329,327	\$ 347,511	\$ 331

General Fund due to Adult Education Fund for expense reimbursement	\$ 226
General Fund due to Cafeteria Fund for salary expense	9,221
Adult Education Fund due to General Fund for indirect cost reimbursement	137,460
General Fund due to Self-Insurance Fund for liability payroll	4,598
Child Development Fund due to General Fund for cash loan	27,300
Cafeteria Fund due to General Fund for indirect costs and liability payroll	164,567
Building Fund due to General Fund for expense reimbursement	75
Self-Insurance Fund due to General Fund for benefit liability	331
General Fund due to Building Fund for expense reimbursement	4,064
	\$ 347,842

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2018, consisted of the following:

General Fund transfer to Adult Education Fund for revenue transfer	<u><u>\$ 105,658</u></u>
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NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 99,750	\$ -	\$ -	\$ 5,000	\$ 104,750
Stores inventories	24,588	-	-	65,539	90,127
Prepaid expenditures	15,116	-	-	360	15,476
Total Nonspendable	<u>139,454</u>	<u>-</u>	<u>-</u>	<u>70,899</u>	<u>210,353</u>
Restricted:					
Categorical programs	3,505,758	-	-	1,863,081	5,368,839
Capital projects	-	35,350,972	-	5,029,684	40,380,656
Debt service	-	-	10,219,794	-	10,219,794
Total Restricted	<u>3,505,758</u>	<u>35,350,972</u>	<u>10,219,794</u>	<u>6,892,765</u>	<u>55,969,289</u>
Assigned:					
LCFF carryover	499,510	-	-	-	499,510
Chromebooks/Instructional materials	170,400	-	-	-	170,400
CTE equipment/furniture	120,000	-	-	-	120,000
Textbook adoption/instructional materials	1,709,398	-	-	-	1,709,398
Copier replacement	100,000	-	-	-	100,000
CFA	143,055	-	-	-	143,055
Maintenance & operations	311,361	-	-	-	311,361
Transportation vehicle/infrastructure	261,424	-	-	-	261,424
Routine restricted maintenance	500,000	-	-	-	500,000
VB/FB camp & MAA carryover	96,626	-	-	-	96,626
Set aside for claims proceedings	175,000	-	-	-	175,000
Other assignments	133,837	-	-	92,778	226,615
Total Assigned	<u>4,220,611</u>	<u>-</u>	<u>-</u>	<u>92,778</u>	<u>4,313,389</u>
Unassigned:					
Reserve for economic uncertainties	9,070,490	-	-	-	9,070,490
Total Unassigned	<u>9,070,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,070,490</u>
Total	<u><u>\$ 16,936,313</u></u>	<u><u>\$ 35,350,972</u></u>	<u><u>\$ 10,219,794</u></u>	<u><u>\$ 7,056,442</u></u>	<u><u>\$ 69,563,521</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	\$ 23,256,124	\$ -	\$ -	\$ 23,256,124
Construction in progress	5,398,687	10,310,985	1,476,268	14,233,404
Total capital assets not being depreciated	<u>28,654,811</u>	<u>10,310,985</u>	<u>1,476,268</u>	<u>37,489,528</u>
Capital assets being depreciated:				
Improvement of sites	43,020,927	1,166,433	-	44,187,360
Buildings	133,528,365	6,308,832	-	139,837,197
Equipment	4,110,940	514,207	277,700	4,347,447
Total capital assets being depreciated	<u>180,660,232</u>	<u>7,989,472</u>	<u>277,700</u>	<u>188,372,004</u>
Accumulated depreciation for:				
Improvement of sites	(29,580,549)	(2,242,678)	-	(31,823,227)
Buildings	(57,204,209)	(3,185,219)	-	(60,389,428)
Equipment	(3,319,309)	(161,779)	(277,700)	(3,203,388)
Total accumulated depreciation	<u>(90,104,067)</u>	<u>(5,589,676)</u>	<u>(277,700)</u>	<u>(95,416,043)</u>
Total capital assets being depreciated, net	<u>90,556,165</u>	<u>2,399,796</u>	<u>-</u>	<u>92,955,961</u>
Governmental activity capital assets, net	<u>\$ 119,210,976</u>	<u>\$ 12,710,781</u>	<u>\$ 1,476,268</u>	<u>\$ 130,445,489</u>

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

Governmental Activities:

Instruction	\$ 3,319,674
Supervision of instruction	231,602
Instructional library, media, and technology	24,191
School site administration	449,694
Home-to-school transportation	122,449
Food services	174,517
All other pupil services	328,037
Ancillary services	53,759
Community services	17,851
All other general administration	372,852
Data processing services	8,220
Plant services	486,830
Total depreciation	<u>\$ 5,589,676</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 111,030,000	\$ -	\$ 7,555,000	\$ 103,475,000	\$ 7,420,000
Unamortized premium	10,852,932	-	591,571	10,261,361	591,571
Total - Bonds	121,882,932	-	8,146,571	113,736,361	8,011,571
Certificates of Participation	5,115,000	-	40,000	5,075,000	60,000
Other Postemployment Benefits*	5,294,857	228,342	652,892	4,870,307	-
Compensated Absences	726,066	-	85,871	640,195	-
Totals	\$ 133,018,855	\$ 228,342	\$ 8,925,334	\$ 124,321,863	\$ 8,071,571

* As restated

Note: Beginning balance of OPEB liability has been restated due to the implementation of GASB Statement No. 75

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

A. General Obligation Bonds

Election of 1998

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

Election of 2005

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

2006 General Obligation Refunding Bonds

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

2012 General Obligation Refunding Bonds

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2015 General Obligation Refunding Bonds

On February 19, 2015, the District issued \$38,140,000 of general obligation refunding bonds. Proceeds of the Bonds were applied to refund all of the District's outstanding General Obligation Bonds, Election of 1998, Series 2005, originally issued in the aggregate principal amount of \$6,955,000, all of the District's outstanding General Obligation Bonds, Election of 2005, Series 2006, originally issued in the aggregate principal amount of \$24,000,000, and all of the District's General Obligation Bonds, Election of 2005, Series 2007 and, together with the 2005 bonds and the 2006 bonds, originally issued in the aggregate principal of \$20,000,000, and to pay costs of issuance of the bond.

Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2018, of (\$453,450) remain to be amortized.

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

Measure "G"

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

2017 Refunding General Obligation Bonds

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2018 of (\$187,467) remain to be amortized for this refunding. As of June 30, 2018, the entire principal balance on the defeased debt amounted was repaid.

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The outstanding general obligation bonds issued by the District as of June 30, 2018, are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
2017 A	3/29/2017	8/1/2046	2.0%-5.0%	53,000,000	53,000,000	-	4,400,000	\$ 48,600,000
2012R	2/14/2012	8/1/3032	2.5%-5.0%	12,335,000	12,335,000	-	855,000	11,480,000
2015R	2/19/2015	8/1/2037	2.0%-5.0%	35,350,000	35,350,000	-	1,270,000	34,080,000
2017R	3/29/2017	8/1/2026	2.0%-5.0%	10,345,000	10,345,000	-	1,030,000	9,315,000
					<u>\$ 111,030,000</u>	<u>\$ -</u>	<u>\$ 7,555,000</u>	<u>\$ 103,475,000</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	\$ 7,420,000	\$ 4,398,475	11,818,475
2019-2020	5,750,000	4,128,225	9,878,225
2020-2021	3,320,000	3,932,800	7,252,800
2021-2022	3,490,000	3,782,063	7,272,063
2022-2023	3,630,000	3,635,000	7,265,000
2023-2028	19,290,000	15,643,500	34,933,500
2028-2033	15,260,000	11,600,250	26,860,250
2033-2038	16,030,000	7,908,300	23,938,300
2038-2043	12,970,000	4,865,200	17,835,200
2043-2047	16,315,000	1,440,700	17,755,700
Totals	<u>\$ 103,475,000</u>	<u>\$ 61,334,513</u>	<u>\$ 164,809,513</u>

B. Certificates of Participation

On September 8, 2011, the District issued \$6,340,000 Certificates of Participation pursuant to a lease agreement with the Castro Valley Financing Corporation for the purposes of financing a portion of the costs of construction and installation of solar energy generating facilities at certain public schools within the District, and to pay issuance costs. The certificates were issued as follows: Serial Certificates of \$6,340,000 with stated interest rates of 3.0%, maturing between September 1, 2012 and 2016, Term Certificates of \$1,370,000 and \$3,310,000 with a stated interest rates of 4.375% and 5.0%, and are due September 1, 2026, and September 1, 2032, respectively. As of June 30, 2018, the principal balance outstanding was \$5,075,000.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	\$ 60,000	\$ 237,363	\$ 297,363
2019-2020	85,000	235,187	320,187
2020-2021	110,000	232,125	342,125
2021-2022	140,000	227,888	367,888
2022-2023	200,000	221,063	421,063
2023-2028	1,575,000	928,500	2,503,500
2028-2033	2,905,000	395,624	3,300,624
Total	<u>\$ 5,075,000</u>	<u>\$ 2,477,750</u>	<u>\$ 7,552,750</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 8 – JOINT VENTURES

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

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

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

	Northern California ReLiEF	EBSIG	ACSIG
Total assets	\$ 77,792,147	\$ 3,040,020	\$ 48,587,667
Total deferred outflows	-	-	546,377
Total liabilities	64,492,460	1,871,311	27,296,818
Total deferred inflows	-	-	65,612
Net position	<u>\$ 13,299,687</u>	<u>\$ 1,168,709</u>	<u>\$ 21,771,614</u>
Operating revenue	\$ 53,565,432	\$ 5,728,065	\$ 164,546,182
Operating expenses	57,636,800	5,452,374	158,538,548
Operating income (loss)	(4,071,368)	275,691	6,007,634
Non-operating income (expense)	324,976	23,820	159,116
Change in net position	<u>\$ (3,746,392)</u>	<u>\$ 299,511</u>	<u>\$ 6,166,750</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of approximately \$8.4 million to be paid from local funds.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2018.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with School Association for Excess Risks (SAFER), Northern California Regional Excess Liability fund (ReLiEF), and East Bay Schools Insurance Group (EBSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

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

Employee Medical Benefits

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 80,984,225	\$ 21,953,426	\$ 3,893,619	\$ 9,002,359
CalPERS	25,088,829	7,609,570	1,112,427	4,551,071
Total	<u>\$ 106,073,054</u>	<u>\$ 29,562,996</u>	<u>\$ 5,006,046</u>	<u>\$ 13,553,430</u>

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Benefits Provided (continued)

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	60	62
Retirement Age	2.0%-2.4%	2.0%-2.4%
Monthly Benefits as a Percentage of Eligible Compensation	10.25%	9.205%
Required Employee Contribution Rate	14.43%	14.43%
Required Employer Contribution Rate	9.328%	9.328%
Required State Contribution Rate		

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District’s total contributions were \$6,650,665.

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

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

Total net pension liability, including State share:	
District’s proportionate share of net pension liability	\$ 80,984,225
State’s proportionate share of the net pension liability associated with the District	18,912,944
Total	<u>\$ 99,897,169</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Proportion of the Net Pension Liability	0.087569%	0.088000%	-0.000431%

For the year ended June 30, 2018, the District recognized pension expense of \$9,002,359. In addition, the District recognized pension expense and revenue of \$2,606,268 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,650,665	\$ -
Net change in proportionate share of net pension liability	-	669,704
Difference between projected and actual earnings on pension plan investments	-	1,811,419
Changes of assumptions	15,003,273	-
Differences between expected and actual experience in the measurement of the total pension liability	299,488	1,412,495
Total	<u>\$ 21,953,426</u>	<u>\$ 3,893,619</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 390,462
2020	3,540,335
2021	2,379,164
2022	266,989
2023	2,346,764
Thereafter	2,485,428
Total	<u>\$ 11,409,142</u>

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 118,910,553
Current discount rate (7.10%)	80,984,225
1% increase (8.10%)	50,204,440

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,600,268 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Contributions (continued)

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$2,178,221.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$25,088,829. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.105094%	0.112200%	-0.007106%

For the year ended June 30, 2018, the District recognized pension expense of \$4,551,071. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,178,221	\$ -
Net change in proportionate share of net pension liability	-	817,038
Difference between projected and actual earnings on pension plan investments	867,902	-
Changes of assumptions	3,664,618	295,390
Differences between expected and actual experience in the measurement of the total pension liability	898,829	-
Total	<u>\$ 7,609,570</u>	<u>\$ 1,112,427</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,146,113
2020	2,313,705
2021	1,626,215
2022	(767,111)
Total	<u>\$ 4,318,922</u>

Actuarial Methods and Assumptions

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

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 36,913,707
Current discount rate (7.15%)	25,088,829
1% increase (8.15%)	15,279,102

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2018, the District reported payables of \$1,072,634 and \$339,780 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description

The District's defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees and board members of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated Employees

The District will pay for retiree health benefits, including prescription drug, and dental benefits to eligible retirees. Eligibility requires an employee to be hired before August 28, 1986 and retire on or after age 55 with at least 12 years of District service, or between ages 50 and 55 with 30 years of District service. District-paid dental premiums continue to age 65. District-paid health benefits continue for the lifetime of the retiree, subject to the following rules:

- Retiring on or before June 30, 1989 the District pays 100% of the retire-only coverage
- Retiring between July 1, 1989 and September 30, 1990: Under 65 - \$3,716/yr; 65+ - \$2,460/yr
- Retiring between October 1, 1990 and September 30, 1991: Under 65 - \$4,123/year; 65+ - \$2,580/yr
- Retiring between October 1, 1991 and June 30, 1997: Under 65 - \$4,123/yr; 65+ - \$2,712/yr
- Retiring between July 1, 1997 and June 30, 2013: Under 65 - \$5,552/yr; 65+ - \$0
- Retiring between July 1, 2013 and June 30, 2018: Under 65 - \$6,000/yr; 65+ - \$0
- Retiring on or after July 1, 2018: Under 65 - \$6,500/yr; 65+ - \$0

Classified Employees

The District provides retiree health benefits, including prescription drug, and dental benefits to eligible retirees. Eligibility requires an employee to be hired before July 1, 1986 and retire on or after age 55 with at least 12 years of District service. District-paid dental premiums continue until age 65. District-paid health benefits continue for the lifetime of the retiree, subject to the following rules:

- Retiring on or before September 30, 1989 the District pays 100% of the retire-only coverage
- Retiring between October 1, 1989 and June 30, 1998: Under 65 - \$3,551/yr; 65+ - \$2,496/yr
- Retiring between July 1, 1998 and June 30, 2004: Under 65 - \$4,123/year; 65+ - \$2,712/yr
- Retiring between July 1, 2004 and June 30, 2013: Under 65 - \$5,552/yr; 65+ - \$2,712/yr
- Retiring between July 1, 2013 and June 30, 2018: Under 65 - \$6,000/yr; 65+ - \$2,712/yr
- Retiring on or after July 1, 2018: Under 65 - \$6,500/yr; 65+ - \$2,712/yr

Management Employees

The District provides retiree health benefits, including prescription drug, and dental benefits to eligible retirees. Eligibility requires an employee to be hired before November 11, 1991 and retire on or after age 55 with at least 12 years of District service, or between ages 50 and 55 with 30 years of District service. District-paid dental premiums continue until age 65. District-paid health benefits continue for the lifetime of the retiree, with Certificated Management retirees following rules applicable to Certificated employees, and Classified/Confidential Management following the rules applicable to Classified employees.

Board Members

Retired Board Members are only eligible for district-paid dental benefits

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	126
Active employees	14
Total	140

Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers’ Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Total OPEB Liability

The District’s total OPEB liability of \$4,283,946 for the District Plan was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. The District’s proportionate share of the net MPP Program OPEB liability of \$586,361 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

	District Plan	MPP Program	Totals
Total OPEB liability	\$ 4,283,946	\$ 586,418	\$ 4,870,364
Plan fiduciary net position	-	57	57
District’s net OPEB liability	\$ 4,283,946	\$ 586,361	\$ 4,870,307

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	June 30, 2018	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	2.75 percent	N/A
Salary increases	3.00 percent	N/A
Healthcare cost trend rates	6.0 percent HMO/ 6.5 percent PPO	3.58 percent
Retirees’ share of benefit-related costs	Retirees who continue with the District medical plan are based on hire date and length of employment	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability (continued)

District Plan

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations.

MPP Program

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

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

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	<u>\$ 4,642,554</u>
Changes for the year:	
Service cost	19,763
Interest	150,007
Changes in assumptions or other inputs	(27,668)
Benefit payments	(500,710)
Net changes	<u>(358,608)</u>
Balance at June 30, 2018 - District Plan	4,283,946
MPP Program OPEB Liability	586,361
Total Reported OPEB Liability	<u>\$ 4,870,307</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.40 percent in 2017 to 3.50 percent in 2018.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
District Plan	\$ 4,577,101	\$ 4,283,946	\$ 4,025,174
	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	\$ 649,142	\$ 586,361	\$ 525,292

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5% HMO/5.5% PPO decreasing to 4% HMO/4% PPO	Healthcare Cost Trend Rates 6% HMO/6.5% PPO decreasing to 5% HMO/5% PPO	1% Increase 7% HMO/7.5% PPO decreasing to 6% HMO/6% PPO
District Plan	\$ 4,185,173	\$ 4,283,946	\$ 4,392,746
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 529,867	\$ 586,361	\$ 642,291

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$424,550. At June 30, 2018, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

E. Payable to the OPEB Plan

At June 30, 2018, the District reported no payables for the outstanding amount of OPEB contributions for the year ended June 30, 2018.

Required Supplementary Information

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF Sources	\$ 75,444,499	\$ 75,787,615	\$ 75,687,226	\$ (100,389)
Federal Sources	2,530,908	3,225,629	2,729,874	(495,755)
Other State Sources	12,219,281	13,782,470	14,099,368	316,898
Other Local Sources	2,461,824	3,442,083	4,405,429	963,346
Total Revenues	92,656,512	96,237,797	96,921,897	684,100
Expenditures				
Current:				
Certificated Salaries	46,622,947	46,762,436	46,332,851	429,585
Classified Salaries	13,447,679	13,930,569	13,993,529	(62,960)
Employee Benefits	19,694,807	19,901,743	19,279,120	622,623
Books and Supplies	4,373,701	5,110,479	3,108,234	2,002,245
Services and Other Operating Expenditures	10,431,995	12,491,612	11,347,571	1,144,041
Capital Outlay	315,000	2,250,831	1,685,585	565,246
Intergovernmental	722,440	525,758	602,530	(76,772)
Debt Service	278,863	280,699	280,654	45
Total Expenditures	95,887,432	101,254,127	96,630,074	4,624,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,230,920)	(5,016,330)	291,823	5,308,153
Other Financing Sources and Uses				
Interfund Transfers Out	(101,912)	(105,232)	(105,658)	(426)
Total Other Financing Sources and Uses	(101,912)	(105,232)	(105,658)	(426)
Net Change in Fund Balance	(3,332,832)	(5,121,562)	186,165	5,307,727
Fund Balances, July 1, 2017	16,616,311	16,616,311	16,616,311	-
Fund Balances, June 30, 2018	<u>\$ 13,283,479</u>	<u>\$ 11,494,749</u>	<u>\$ 16,802,476</u>	<u>\$ 5,307,727</u>

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Budgetary Comparison Schedule – Special Education Pass-Through Fund
For the Fiscal Year Ended June 30, 2018*

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal Sources	\$ 8,723,101	\$ 14,617,853	\$ 6,180,014	\$ (8,437,839)
Other State Sources	18,102,597	19,540,038	18,421,103	(1,118,935)
Total Revenues	<u>26,825,698</u>	<u>34,157,891</u>	<u>24,601,117</u>	<u>(9,556,774)</u>
Expenditures				
Other Outgo	<u>26,825,698</u>	<u>34,157,891</u>	<u>24,601,117</u>	<u>9,556,774</u>
Total Expenditures	<u>26,825,698</u>	<u>34,157,891</u>	<u>24,601,117</u>	<u>9,556,774</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances, July 1, 2017	-	-	-	-
Fund Balances, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.0876%	0.0880%	0.0910%	0.0880%
District's proportionate share of the net pension liability	\$ 80,984,225	\$ 71,175,280	\$ 61,264,840	\$ 51,424,560
State's proportionate share of the net pension liability associated with the District	18,912,944	40,524,783	32,402,260	31,052,681
Totals	\$ 99,897,169	\$ 111,700,063	\$ 93,667,100	\$ 82,477,241
District's covered-employee payroll	\$ 46,316,693	\$ 44,680,559	\$ 41,664,324	\$ 39,809,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.85%	159.30%	147.04%	129.18%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.1051%	0.1122%	0.1084%	0.1103%
District's proportionate share of the net pension liability	\$ 25,088,829	\$ 22,159,569	\$ 15,978,267	\$ 12,521,736
District's covered-employee payroll	\$ 13,432,719	\$ 13,500,414	\$ 12,069,722	\$ 11,603,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.77%	164.14%	132.38%	107.91%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS				
Contractually required contribution	\$ 6,650,665	\$ 5,826,640	\$ 4,794,224	\$ 3,699,792
Contributions in relation to the contractually required contribution	<u>6,650,665</u>	<u>5,826,640</u>	<u>4,794,224</u>	<u>3,699,792</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 46,089,155</u>	<u>\$ 46,316,693</u>	<u>\$ 44,680,559</u>	<u>\$ 41,664,324</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 2,178,221	\$ 1,865,536	\$ 1,599,394	\$ 1,420,727
Contributions in relation to the contractually required contribution	<u>2,178,221</u>	<u>1,865,536</u>	<u>1,599,394</u>	<u>1,420,727</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,024,989</u>	<u>\$ 13,432,719</u>	<u>\$ 13,500,414</u>	<u>\$ 12,069,722</u>
Contributions as a percentage of covered-employee payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.847%</u>	<u>11.771%</u>

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018*

Last 10 Fiscal Years*

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 19,763
Interest	150,007
Changes of assumptions or other inputs	(27,668)
Benefit payments	<u>(500,710)</u>
Net change in total OPEB liability	(358,608)
Total OPEB liability - beginning	<u>4,642,554</u>
Total OPEB liability - ending	<u><u>\$ 4,283,946</u></u>
Covered-employee payroll	<u>\$ 1,125,000</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>380.80%</u>

Notes to Schedule:

No changes to report.

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018**(Dollars in Thousands, except for District's proportionate share)*

	2018
Total OPEB liability	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	\$ 420,749
Plan fiduciary net position	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	\$ 41
Net OPEB liability	\$ 420,708
District's proportionate share of net OPEB liability	\$ 586,361
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer’s covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered-employee payroll
- The pension plan’s fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer’s contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer’s actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer’s actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District’s Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule.

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Classified Salaries	\$ 62,960
Intergovernmental	76,772
Interfund Transfers Out	426

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Supplementary Information

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2018

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

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

DISTRICT ADMINISTRATORS

Parvin Ahmadi,
Superintendent

Suzy Chan,
Assistant Superintendent, Business Services

Dr. Jason Reimann,
Assistant Superintendent, Education Services

Dr. Sherri Beetz,
Assistant Superintendent, Human Resources

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	\$ 1,993,733	\$ -	\$ 230,186	\$ 676,033	\$ 4,145,187	\$ 197,989	\$ 7,243,128
Accounts receivable	109,130	27,300	190,025	2,216	13,848	661	343,180
Due from other funds	226	-	9,221	-	-	-	9,447
Inventories	-	-	65,539	-	-	-	65,539
Prepaid expenditures	360	-	-	-	-	-	360
Total Assets	\$ 2,103,449	\$ 27,300	\$ 494,971	\$ 678,249	\$ 4,159,035	\$ 198,650	\$ 7,661,654
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 150,621	\$ -	\$ 119,014	\$ 6,250	\$ -	\$ -	\$ 275,885
Due to other funds	137,460	27,300	164,567	-	-	-	329,327
Total Liabilities	288,081	27,300	283,581	6,250	-	-	605,212
Fund Balances							
Nonspendable	5,360	-	65,539	-	-	-	70,899
Restricted	1,717,230	-	145,851	671,999	4,159,035	198,650	6,892,765
Assigned	92,778	-	-	-	-	-	92,778
Total Fund Balances	1,815,368	-	211,390	671,999	4,159,035	198,650	7,056,442
Total Liabilities and Fund Balances	\$ 2,103,449	\$ 27,300	\$ 494,971	\$ 678,249	\$ 4,159,035	\$ 198,650	\$ 7,661,654

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2018*

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES							
Federal sources	\$ 207,166	\$ -	\$ 1,311,856	\$ -	\$ -	\$ -	\$ 1,519,022
Other state sources	2,788,629	194,140	86,045	-	-	-	3,068,814
Other local sources	1,271,577	-	1,481,643	320,131	58,527	2,707	3,134,585
Total Revenues	4,267,372	194,140	2,879,544	320,131	58,527	2,707	7,722,421
EXPENDITURES							
Current:							
Instruction	2,436,769	145,855	-	-	-	-	2,582,624
Supervision of instruction	107,634	38,064	-	-	-	-	145,698
School site administration	1,351,093	-	-	-	-	-	1,351,093
Pupil Support Services:							
Food services	-	-	2,959,342	-	-	-	2,959,342
All other pupil services	19,256	117	-	-	-	-	19,373
General Administration Services:							
Other general administration	-	-	-	9,400	-	-	9,400
Plant services	249,893	-	-	7,755	10,173	520	268,341
Transfers of indirect costs	137,460	10,104	158,619	-	-	-	306,183
Total Expenditures	4,302,105	194,140	3,117,961	17,155	10,173	520	7,642,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,733)	-	(238,417)	302,976	48,354	2,187	80,367
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	105,658	-	-	-	-	-	105,658
Total Other Financing Sources and Uses	105,658	-	-	-	-	-	105,658
Net Change in Fund Balances	70,925	-	(238,417)	302,976	48,354	2,187	186,025
Fund Balances, July 1, 2017	1,744,443	-	449,807	369,023	4,110,681	196,463	6,870,417
Fund Balances, June 30, 2018	\$ 1,815,368	\$ -	\$ 211,390	\$ 671,999	\$ 4,159,035	\$ 198,650	\$ 7,056,442

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018*

	Second Period Report	Annual Report
	Certificate No. (D7CC613B)	Certificate No. (98C27E24)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	2,617.44	2,621.57
Fourth through Sixth	2,028.93	2,029.77
Seventh through Eighth	1,397.13	1,393.71
Ninth through Twelfth	2,909.44	2,891.93
Total Regular ADA & Extended Year	8,952.94	8,936.98
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	2.11	1.80
Fourth through Sixth	1.58	1.41
Seventh through Eighth	4.82	4.32
Ninth through Twelfth	7.41	6.71
Total Special Education, Nonpublic, Nonsectarian Schools	15.92	14.24
Total ADA	8,968.86	8,951.22

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2018

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	46,735	180	Complied
Grade 1	50,400	53,550	180	Complied
Grade 2	50,400	53,550	180	Complied
Grade 3	50,400	53,550	180	Complied
Grade 4	54,000	55,610	180	Complied
Grade 5	54,000	55,610	180	Complied
Grade 6	54,000	57,798	180	Complied
Grade 7	54,000	57,798	180	Complied
Grade 8	54,000	57,798	180	Complied
Grade 9	64,800	65,319	180	Complied
Grade 10	64,800	65,319	180	Complied
Grade 11	64,800	65,319	180	Complied
Grade 12	64,800	65,319	180	Complied

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 ³	2018 ⁴	2017	2016
Revenues and other financing sources	\$ 99,242,457	\$ 96,921,897	\$ 98,084,248	\$ 95,734,876
Expenditures	97,193,005	96,630,074	96,147,719	90,575,238
Other uses and transfers out	893,085	105,658	494,013	651,752
Total outgo	98,086,090	96,735,732	96,641,732	91,226,990
Change in fund balance (deficit)	1,156,367	186,165	1,442,516	4,507,886
Ending fund balance	<u>\$ 17,958,843</u>	<u>\$ 16,802,476</u>	<u>\$ 16,616,311</u>	<u>\$ 15,173,795</u>
Available reserves ¹	<u>\$ 6,267,774</u>	<u>\$ 9,070,490</u>	<u>\$ 6,160,537</u>	<u>\$ 3,222,961</u>
Available reserves as a percentage of total outgo	<u>6.4%</u>	<u>9.4%</u>	<u>6.4%</u>	<u>3.5%</u>
Total long-term debt	<u>\$ 222,323,346</u>	<u>\$ 230,394,917</u>	<u>\$ 226,353,704</u>	<u>\$ 155,730,944</u>
Average daily attendance at P-2 ²	<u>8,968</u>	<u>8,969</u>	<u>9,037</u>	<u>9,072</u>

The General Fund balance has increased by approximately \$1.6 million over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of approximately \$1.2 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years and does not anticipate incurring one during the 2018-19 fiscal year. Long-term debt has increased by over \$74.7 million over the past two years.

Average daily attendance has decreased by 103 over the past two years. A decrease of 1 ADA is anticipated during fiscal year 2018-19.

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

² Excludes Adult Education ADA.

³ Revised Budget September, 2018.

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018*

	<u>General Fund</u>
June 30, 2018, annual financial and budget report fund balance	\$ 17,162,113
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Accounts payable understated	<u>(359,637)</u>
June 30, 2018, reported financial statement fund balance	<u>\$ 16,802,476</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 270,639	
School Breakfast Program - Basic	10.553	13390	38,638	
National School Lunch Program	10.555	13523	835,745	
USDA Donated Foods	10.555	N/A	<u>166,835</u>	
Subtotal Child Nutrition Cluster				\$ 1,311,857
Total U.S. Department of Agriculture				<u>1,311,857</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster:				
Adult Basic Education & ESL	84.002A	14508	97,209	
Adult Secondary Education	84.002	13978	60,498	
English Literacy & Civics Education Local Grant	84.002A	14109	<u>49,458</u>	
Subtotal Adult Basic Education Cluster				207,165
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		729,173
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330B	23900		1,046
Title II, Part A, Supporting Effective Instruction	84.367	14341		225,408
English Language Acquisition Cluster:				
Title III, Limited English Proficiency	84.365	14346	145,165	
Title III, Immigrant Education Program	84.365	15146	<u>44,915</u>	
Subtotal English Language Acquisition Cluster				190,080
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		35,834
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	6,685,687	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	377,767	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	20,678	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	167,400	
Preschool Local Entitlement, Part B	84.173A	13682	359,128	
Preschool Staff Development	84.173A	13431	2,857	
Alternative Dispute Resolution, Part B, Sec 11	84.027	13007	<u>990</u>	
Subtotal Special Education (IDEA) Cluster				7,614,507
Early Intervention Grants, Part C	84.181	23761		113,840
Total U.S. Department of Education				<u>9,117,053</u>
Total Expenditures of Federal Awards				<u>\$ 10,428,910</u>

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

Program	Federal CFDA Number	Amount Provided to Subrecipients
Local Assistance Entitlement	84.027	\$ 5,448,346
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	121,658
Preschool Local Entitlement, Part B	84.173A	227,990
Mental Health Allocation Plan, Part B, Sec 611	84.027	273,366
Early Intervention Grants, Part C	84.181	<u>108,654</u>
		<u>\$ 6,180,014</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

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

There were no differences between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

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Other Independent Auditors' Reports

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

Governing Board
Castro Valley Unified School District
Castro Valley, California

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in blue ink that reads "Nigro+Nigro, PC".

Murrieta, California
November 26, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on State Compliance

We have audited Castro Valley Unified School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Castro Valley Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Castro Valley Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Castro Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
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

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

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Castro Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Murrieta, California
November 26, 2018



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

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Nigro+Nigro, PC

Murrieta, California
November 26, 2018

Findings and Questioned Costs

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Summary of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.027, 84.173</u> <u>Special Education Cluster (IDEA)</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2017-18.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2017-18.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no state award findings or questioned costs in 2017-18.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

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

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

In planning and performing our audit of the basic financial statements of Castro Valley Unified School District for the year ending June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 26, 2018, on the financial statements of Castro Valley Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

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

- **Castro Valley High** – 6 of 25 disbursements
- **Canyon Middle** – 3 of 7 disbursements

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

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

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

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

Nigro+Nigro, PC

Murrieta, California
November 26, 2018