

12/15/2018

HAYWARD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

HAYWARD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hayward Unified School District
Hayward, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning net position of \$(71,277,531). Note disclosures and required supplementary information requirements about OPEB are also discussed. 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* on pages 4 to 11, the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 48 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of Hayward Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hayward Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

This section of Hayward Unified School District's (HUSD) annual financial report presents the District management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018.

The District is comprised of 21 elementary schools, 5 middle schools, 3 high schools, an alternative high school, an adult education center, and a child care center for pre-school children. The District has over 20,000 students in grades Transitional Kindergarten (TK) through twelve interacting with teachers in the classroom each day, bringing with them diverse cultures, heritages, languages, academic needs, and economic conditions. The District student population is 64.2 percent Latino, 5.3 percent Caucasian, 8.7 percent African American, 7.8 percent Asian, 7.3 percent Filipino, 3.1 percent Pacific islander, 0.3 percent Native American/Alaska Native, 3.1 percent of two or more races, and 0.2 percent of students whose ethnicity is not reported.

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

FINANCIAL HIGHLIGHTS

- The General Fund, including both restricted and unrestricted funding sources, increased by approximately \$1.4 million compared to prior year's increase of \$100k. In aggregate, the District's Governmental Funds decreased by \$42.6 million compared to prior year's increase of \$105.5 million. The aggregate decrease for 2018 was primarily due to new construction projects in Building Fund using proceeds from the prior year issuance General Obligation Bonds authorized by Measure I
- Total Governmental Funds net fund balance decreased by 20% compared to prior year's increase of 70%.
- Capital assets increased by \$34.7 million after considering net additions to assets and annual depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two types of statements:

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

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

Fund Statements

Type of Statements	District-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities.
Required financial statements	<ul style="list-style-type: none"> •statement of net position •statement of activities 	<ul style="list-style-type: none"> •balance sheet •statement of revenues, expenditures & changes in fund balances •reconciliation to government- wide financial statements 	<ul style="list-style-type: none"> •statement of fiduciary net position •statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

- The Statement of Net Position reports the June 30, 2018, ending balance of assets and liabilities. The difference between the District's assets, deferred outflows, liabilities and deferred inflows, referred to as "net position," is one way to measure the District's financial health or position.
- The Statement of Activities provides detail by activity of the current year expenses and a summary of the general revenue categories, the difference of which is the change in net position. The increases or decrease in the District's net position is a general indicator of whether its financial position is improving or deteriorating.

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. The change in fund balance is another way to measure the District's financial health or position. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds:**

Most of the District's basic services are included in governmental funds which generally focus on

1. How cash and other financial assets that can readily be converted to cash flow in and out
2. The balances left at the end of the year available for spending

The governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation statement is provided that explains the difference.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

- **Fiduciary funds:**

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship trust and student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of change in fiduciary net position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position: The District's net position at June 30, 2018, was a negative \$264.3 million. This is a net decrease of \$21.9 million, or 8.2%, compared to the previous year (after restatement of prior year balance for GASB 75).

Table A-1 Hayward Unified Net Position (in millions of dollars)			
	<u>Governmental Activities</u>		Total Percentage Change
	<u>2017*</u>	<u>2018</u>	
Current and Other Assets	\$ 284.4	\$ 247.3	(13.0)%
Capital Assets	286.1	320.7	12.1%
Total Assets	570.5	568.0	(0.4)%
Deferred Outflow	79.8	107.5	34.7%
Long-Term Debt Outstanding	846.8	879.6	13.4%
Other Liabilities	34.3	42.2	23.4%
Total Liabilities	881.1	921.8	13.8%
Deferred Inflow	11.6	18.0	55.2%
	11.6	18.0	55.2%
Net Investment in Capital Assets	46.4	49.1	5.8%
Restricted	38.4	36.9	(3.9)%
Unrestricted	(326.9)	(350.3)	(36.9)%
Total Net Position	(\$242.4)	(264.3)	(54.5)%

*Restated for the implementation of GASB 75.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

CHANGES IN NET POSITION

The District's total revenues were \$304.2 million, down \$5.3 million compared to the prior year (Table A-2). Property taxes and federal and state aid not restricted to specific purposes accounted for 75% of the District's total revenue. Operating grants and contributions represented 22.5%, and charges for services and other revenues made up the remaining 2.5%.

The total cost of all programs and services was \$326.1 million, up by \$6 million compared to the prior year. (Table A-2) The District's expenses are predominantly related to instruction, at 66% of total costs. Pupil services and general administration accounted for 11% and 4.5% of total costs, respectively. Plant services were 10% of costs; interest and other expenses at 8.5%.

Table A-2 Statements of Activities (in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2017</u>	<u>2018</u>	
Revenues:			
Taxes and federal and state aid not restricted to specific purposes	\$ 227.0	\$ 228.2	(0.5)%
Operating grants and contributions	75.1	68.6	(8.7)%
Charges for services	3.5	2.8	(20.0)%
Other local revenues	3.9	4.6	17.9%
Total Revenues	<u>309.5</u>	<u>304.2</u>	<u>(-1.7)%</u>
Expenses:			
Instruction-related	207.1	216.7	4.6%
Pupil services	35.6	35.1	(1.4)%
General administration	21.1	13.8	(34.6)%
Plant services	32.6	32.7	.3%
Interest and other	23.7	27.9	17.7%
Total Expenses	<u>320.1</u>	<u>317.0</u>	<u>1.9%</u>
Increase (decrease) in net position	<u>(\$10.6)</u>	<u>(\$22.0)</u>	<u>(307.5%)</u>

- The cost of governmental activities this year was \$326.1 million.
- Some of the cost was paid by the users of the District's programs (\$2.8 million) through charges for services.
- The federal and state governments subsidized certain programs with grants and contributions (\$68.6 million).
- Most of the District's costs (\$228 million) were paid for by District taxpayers and the taxpayers of California in general, through \$95 million in property taxes and \$133 million of unrestricted federal and state aid.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

GOVERNMENTAL ACTIVITIES

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

	<u>Total Costs of Services</u>		<u>Percent</u>	<u>Net Costs of Services</u>		<u>Percent</u>
	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>2018</u>	<u>Change</u>
Instruction	\$ 207.1	\$ 216.7	4.6%	\$ 157.5	\$ 169.1	7.3%
Student Transportation & Other Pupil Svcs	27.3	25.9	(5.1)%	22.6	19.8	(12.3)%
Food Services	8.3	9.2	10.8%	(0.2)	.7	250%
General Administration	21.1	13.8	(34.6)%	19.2	12.0	(37.5)%
Plant Services	32.6	32.7	0.3%	31.8	31.8	0%
Interest and Other	<u>23.7</u>	<u>27.9</u>	<u>17.7%</u>	<u>10.5</u>	<u>21.2</u>	<u>101.9%</u>
Totals	\$ <u>320.1</u>	\$ <u>326.2</u>	<u>1.91%</u>	\$ <u>241.4</u>	\$ <u>254.7</u>	<u>5.5%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND BALANCE

At the end of this fiscal year, the District's General Fund balance, which includes unrestricted and restricted balances, increased from \$19.7 million to \$21.1 million, of which \$8.7 million is legally restricted.

The portions of ending fund balance which are not legally restricted decreased from \$13.1 million to \$12.3 million and include \$0.1 million in nonspendable revolving cash and store's inventory, and \$7.7 million set aside for economic uncertainties.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

GENERAL FUND BUDGETARY HIGHLIGHTS

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

As is standard in school districts, the District's operating budget does not include GASB-required adjustments that are included in the audited financial statements. This budgetary highlights section refers only to the results of the District's adopted operating budget. Additional details are included in the 2017-18 Unaudited Actuals report, which is posted on the District's website.

The District's 2017-18 Adopted Budget projected a \$16.2 million ending fund balance; the final fund balance was \$21.1 million. Final revenues decreased by \$1.4 million compared to Adopted which was primarily driven by an increase to local revenues.

CAPITAL ASSETS

By the end of 2018, the District had invested \$320.7 million, a net increase of \$34.7 million after depreciation in a broad range of net capital assets. The site improvements were additional safety, Americans with Disabilities Act (ADA), and technology infrastructure projects funded with bond proceeds in the 2017-18 school year.

Table A-4 Hayward Unified Capital Assets (net of depreciation, in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2017</u>	<u>2018</u>	
Land	\$12.6	\$12.6	0%
Work in Progress	34.2	35.8	(63.9)%
Site Improvements	3.0	2.7	(10)%
Buildings	233.3	267.3	14.6%
Furniture and Equipment	2.9	2.3	(20.1)%
Total	<u>\$286.0</u>	<u>\$320.7</u>	<u>12.1 %</u>

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2018**

LONG-TERM DEBT

At year end, the District's Outstanding Long-Term Debt increased to \$879.7 million, primarily due to the implementation of Governmental Accounting Standards Board Standard No. 75, as discussed further in the financial statements that follow.

Table A-5			
Hayward Unified Outstanding Long-Term Debt			
(in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total</u>
	<u>2017</u>	<u>2018</u>	<u>Percentage</u>
			<u>Change</u>
General Obligation Bond	\$ 423.9	\$ 417.3	(1.5)%
Unamortized Premiums	17.7	16.9	(4.5)%
Accreted Interest	6.4	6.9	7.8%
Compensated Absences	2.1	2.2	4.7%
Capital Leases	4.5	3.6	(20)%
Certificates of Participation	14.2	13.5	(5)%
P G & E Energy Savings Loan	-	-	0%
Net Pension Liability	267.3	301.7	12.9%
Net OPEB Obligation	110.7	117.6	6.2%
Total	\$ 846.8	\$ 879.7	3.9%

FACTORS IMPACTING THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that will impact the financial forecast for 2018-19:

- As is true for all school districts, employer retirement contributions to CalSTRS and CalPERS are scheduled to increase significantly over the next several years.
- The District's enrollment is declining in 2018-19, resulting in reduced revenue from the State.
- The Board of Trustees adopted a resolution on September 13, 2017, committing the District to Fiscal Solvency for 2017-18 and the two subsequent years. A subsequent resolution was adopted on June 27, 2018 for 2018-19 budget and two subsequent years to ensure it maintains its positive certification.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at the District Office, Hayward Unified School District, 24411 Amador Street, Hayward, CA 94544.

BASIC FINANCIAL STATEMENTS

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 233,649,309
Receivables	13,512,950
Prepaid expenses	
Stores inventory	167,556
Non-depreciable capital assets (Note 4)	48,410,755
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>272,336,737</u>
Total assets	<u>568,077,307</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	93,310,632
Deferred loss from refunding of debt	<u>14,198,994</u>
Total deferred outflows	<u>107,509,626</u>
LIABILITIES	
Accounts payable	41,339,932
Unearned revenue	888,249
Long-term liabilities (Note 5):	
Due within one year	8,074,567
Due after one year	<u>871,494,045</u>
Total liabilities	<u>921,796,793</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>18,039,000</u>
NET POSITION	
Net investment in capital assets	49,142,226
Restricted:	
Legally restricted programs	14,616,283
Capital projects	2,838,783
Debt service	19,412,755
Unrestricted (deficit)	<u>(350,258,907)</u>
Total net position	<u>\$ (264,248,860)</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 178,856,083	\$ 640,269	\$ 37,852,146	\$ -	\$ (140,363,668)
Instruction-related services:					
Supervision of instruction	16,333,328	284,635	6,519,120	-	(9,529,573)
Instructional library, media and technology	1,858,529	4,413	370,196	-	(1,483,920)
School site administration	19,700,557	1,568	1,955,310	-	(17,743,679)
Pupil services:					
Home-to-school transportation	7,544,511	74,780	1,279,465	-	(6,190,266)
Food services	9,199,419	485,365	7,996,345	-	(717,709)
All other pupil services	18,341,171	145,388	4,566,778	-	(13,629,005)
General administration:					
Data processing	2,616,145	3,479	16,982	-	(2,595,684)
All other general administration	11,159,154	25,027	1,752,462	-	(9,381,665)
Plant services	32,709,542	21,094	889,404	-	(31,799,044)
Ancillary services	782,281	236	15,668	-	(766,377)
Community services	12,965	-	-	-	(12,965)
Other outgo	3,495,608	1,113,172	5,371,540	-	2,989,104
Interest on long-term liabilities	23,449,962	-	-	-	(23,449,962)
Total governmental activities	\$ 326,059,255	\$ 2,799,426	\$ 68,585,416	\$ -	\$ (254,674,413)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					68,440,965
Taxes levied for debt service					20,725,241
Taxes levied for other specific purposes					6,023,237
Federal and state aid not restricted to specific purposes					133,037,035
Interest and investment earnings					267,981
Interagency revenues					1,776,833
Miscellaneous					2,522,982
Total general revenues					232,794,274
Change in net position					(21,880,139)
Net position, July 1, 2017					(171,091,190)
Cumulative effect of GASB 75 Implementation					(71,277,531)
Net position, July 1, 2017, as restated					(242,368,721)
Net position, June 30, 2018					\$ (264,248,860)

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 30,295,515	\$ 175,695,971	\$ 27,128,336	\$ 233,119,822
Cash on hand and in banks	22,293	-	18,727	41,020
Cash in revolving fund	100,000	-	2,450	102,450
Cash with Fiscal Agent	-	-	362,203	362,203
Local Agency Investment Fund	23,814	-	-	23,814
Receivables	10,354,283	358,936	2,799,731	13,512,950
Due from other funds	1,579,996	-	50,815	1,630,811
Stores inventory	<u>14,592</u>	<u>-</u>	<u>152,964</u>	<u>167,556</u>
Total assets	<u>\$ 42,390,493</u>	<u>\$ 176,054,907</u>	<u>\$ 30,515,226</u>	<u>\$ 248,960,626</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,878,198	\$ 10,633,715	\$ 266,459	\$ 31,778,372
Unearned revenue	388,868	-	499,381	888,249
Due to other funds	<u>-</u>	<u>-</u>	<u>1,630,811</u>	<u>1,630,811</u>
Total liabilities	<u>21,267,066</u>	<u>10,633,715</u>	<u>2,396,651</u>	<u>34,297,432</u>
Fund balances:				
Nonspendable	114,592	-	155,414	270,006
Restricted	8,749,246	165,421,192	27,963,161	202,133,599
Unassigned	<u>12,259,589</u>	<u>-</u>	<u>-</u>	<u>12,259,589</u>
Total fund balances	<u>21,123,427</u>	<u>165,421,192</u>	<u>28,118,575</u>	<u>214,663,194</u>
Total liabilities and fund balances	<u>\$ 42,390,493</u>	<u>\$ 176,054,907</u>	<u>\$ 30,515,226</u>	<u>\$ 248,960,626</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - Governmental Funds \$ 214,663,194

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 \$478,071,250 and the accumulated depreciation is \$157,323,758 (Note 4). 320,747,492

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):

General Obligation Bonds	\$ (417,257,621)	
Unamortized premiums	(16,936,055)	
Accreted interest	(6,883,873)	
Certificates of Participation	(13,450,000)	
Capitalized lease obligations	(3,581,776)	
Total OPEB liability (Note 7)	(117,572,468)	
Net pension liability (Notes 8 and 9)	(301,692,000)	
Compensated absences	<u>(2,194,819)</u>	(879,568,612)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt. 14,198,994

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

Deferred outflows of resources relating to pensions	\$ 93,310,632	
Deferred inflows of resources relating to pensions	<u>(18,039,000)</u>	75,271,632

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (9,561,560)

Total net position - governmental activities \$ (264,248,860)

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non- Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 131,885,005	\$ -	\$ -	\$ 131,885,005
Local sources	<u>62,433,139</u>	<u>-</u>	<u>-</u>	<u>62,433,139</u>
Total LCFF	<u>194,318,144</u>	<u>-</u>	<u>-</u>	<u>194,318,144</u>
Federal sources	17,611,526	-	11,917,368	29,528,894
Other state sources	24,554,842	-	6,554,570	31,109,412
Other local sources	<u>22,091,172</u>	<u>1,910,221</u>	<u>22,960,276</u>	<u>46,961,669</u>
Total revenues	<u>258,575,684</u>	<u>1,910,221</u>	<u>41,432,214</u>	<u>301,918,119</u>
Expenditures:				
Current:				
Certificated salaries	123,470,219	-	2,935,443	126,405,662
Classified salaries	48,046,297	222,123	6,228,013	54,496,433
Employee benefits	46,080,735	56,258	2,381,106	48,518,099
Books and supplies	6,896,079	157,546	3,192,957	10,246,582
Contract services and operating expenditures	27,768,697	197,818	1,532,081	29,498,596
Other outgo	3,495,608	-	-	3,495,608
Capital outlay	948,372	41,568,454	454,768	42,971,594
Debt service:				
Principal retirement	905,815	-	7,383,600	8,289,415
Interest	<u>83,072</u>	<u>-</u>	<u>20,512,331</u>	<u>20,595,403</u>
Total expenditures	<u>257,694,894</u>	<u>42,202,199</u>	<u>44,620,299</u>	<u>344,517,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>880,790</u>	<u>(40,291,978)</u>	<u>(3,188,085)</u>	<u>(42,599,273)</u>
Other financing sources (uses):				
Transfers in	729,410	-	160,138	889,548
Transfers out	<u>(160,138)</u>	<u>-</u>	<u>(729,410)</u>	<u>(889,548)</u>
Total other financing sources (uses)	<u>569,272</u>	<u>-</u>	<u>(569,272)</u>	<u>-</u>
Change in fund balances	1,450,062	(40,291,978)	(3,757,357)	(42,599,273)
Fund balances, July 1, 2017	<u>19,673,365</u>	<u>205,713,170</u>	<u>31,875,932</u>	<u>257,262,467</u>
Fund balances, June 30, 2018	<u>\$ 21,123,427</u>	<u>\$ 165,421,192</u>	<u>\$ 28,118,575</u>	<u>\$ 214,663,194</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds	\$ (42,599,273)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	42,971,593
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(8,240,371)
In the governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the government-wide statements, only the resulting gain or loss is reported (Note 4).	(48,208)
In governmental funds, deferred inflows and deferred outflows of resources are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt.	(701,129)
In the governmental funds, repayment of principal on long-term liabilities is an expenditure. In the government-wide statements, payments decrease long-term liabilities (Note 5).	8,289,415
In the governmental funds, premiums associated with the issuance of debt are recognized as other financing sources in the period incurred. In the government-wide statement of activities, premiums are amortized over the life of the related debt (Note 5).	741,486
In the governmental funds, accreted interest on capital appreciation bonds is recognized in the period that it becomes due. In the government-wide statement of activities, accreted interest is recognized in the period that it is incurred (Note 5).	(493,254)
In the governmental funds, OPEB expense is recognized when employer contributions are made. In the statement of activities, OPEB expense is recognized on the accrual basis (Notes 5 and 7).	(6,877,584)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	(2,401,660)

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 8 and 9).	(12,457,832)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(63,322)</u>
Change in net position of governmental activities	<u>\$ (21,880,139)</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2018

	Student Body <u>Fund</u>
ASSETS	
Cash on hand and in banks (Note 2)	<u>\$ 369,926</u>
LIABILITIES	
Due to student groups	<u>\$ 369,926</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

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

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

B - Other Funds

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

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

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

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

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2018.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 64,424,385</u>	<u>\$ 28,886,247</u>	<u>\$ 93,310,632</u>
Deferred inflows of resources	<u>\$ 16,178,000</u>	<u>\$ 1,861,000</u>	<u>\$ 18,039,000</u>
Net pension liability	<u>\$ 211,644,000</u>	<u>\$ 90,048,000</u>	<u>\$ 301,692,000</u>
Pension expense	<u>\$ 32,459,148</u>	<u>\$ 17,723,320</u>	<u>\$ 50,182,468</u>

Compensated Absences: Compensated absences totaling \$2,194,819 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Net Position: Net position is displayed in three components:

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

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

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

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action is required by the Board of Education to remove any commitment from any fund balance. At June 30, 2018, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Education has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2018 no formal designation of assignment authority has occurred and the Board of Education retains ultimate authority for assigning fund balance. At June 30, 2018, the District had no assigned fund balances.

E - Unassigned Fund Balance:

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2018, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated by June 30.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement improves 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. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of GASB Statement No. 75, the District's July 1, 2017 net position was restated, resulting in a decrease of \$71,277,531 as a result of the recognition of the District's total OPEB liability.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 233,119,822	\$ -
Local Agency Investment Fund	23,814	-
Deposits:		
Cash in revolving fund	102,450	-
Cash on hand and in banks	41,020	369,926
Cash with Fiscal Agent	362,203	-
Total cash and investments	\$ 233,649,309	\$ 369,926

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund: Hayward Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The amortized cost of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the amortized cost as provided by LAIF, as a percentage of the entire LAIF portfolio. The funds maintained in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds may be withdrawn at any time up to the total amount on deposit with LAIF. Most withdrawals are accessible and transferable to the District's master account on the same day as the request, except for amounts greater than \$10,000,000, which require at least twenty-four hours' advance notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2018, this fund was yielding approximately 1.90% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount and bank balances of the District's accounts totaled \$513,396, all of which was insured by the FDIC.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2018 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 1,579,996	\$ -
Non-Major Funds:		
Adult Education	50,815	870,500
Child Development	-	331,651
Cafeteria	<u>-</u>	<u>428,660</u>
Totals	<u>\$ 1,630,811</u>	<u>\$ 1,630,811</u>

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to cover uncollectible student meal accounts.	\$ 160,138
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	47,572
Transfer from the Child Development Fund to the General Fund for indirect cost support.	253,168
Transfer from the Cafeteria Fund to the General Fund for indirect cost support and to reverse 16/17 uncollectible accounts.	<u>428,670</u>
	<u>\$ 889,548</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 12,623,420	\$ -	\$ -	\$ 12,623,420
Work In Progress	34,203,445	39,460,172	(37,876,282)	35,787,335
Depreciable:				
Buildings	337,669,613	40,726,825	-	378,396,438
Site improvements	25,848,548	19,719	-	25,868,267
Equipment	<u>24,835,219</u>	<u>641,159</u>	<u>(80,588)</u>	<u>25,395,790</u>
Totals, at cost	<u>435,180,245</u>	<u>80,847,875</u>	<u>(37,956,870)</u>	<u>478,071,250</u>
Less accumulated depreciation:				
Buildings	(104,355,729)	(6,716,167)	-	(111,071,896)
Site improvements	(22,828,201)	(302,850)	-	(23,131,051)
Equipment	<u>(21,931,837)</u>	<u>(1,221,354)</u>	<u>32,380</u>	<u>(23,120,811)</u>
Total accumulated depreciation	<u>(149,115,767)</u>	<u>(8,240,371)</u>	<u>32,380</u>	<u>(157,323,758)</u>
Capital assets, net	<u>\$ 286,064,478</u>	<u>\$ 72,607,504</u>	<u>\$ (37,924,490)</u>	<u>\$ 320,747,492</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 42,908
Instructional supervision and administration	3,546
Instructional library, media and technology	4,079
School site administration	867
Food services	36,773
All other pupil services	79,517
Ancillary services	1,303
All other general administration	25,678
Centralized data processing	6,910
Plant services	<u>8,038,790</u>
Total depreciation expense	<u>\$ 8,240,371</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On July 1, 2010, the District issued Election of 2008, Series 2010A General Obligation Bonds totaling \$20,969,877 and were issued as capital appreciation bonds. In August 2015, the District refunded \$13,404,891 of the Bonds through the issuance of 2015 General Obligation Refunding Bonds. The remaining bonds after refunding bear interest at rates from 7.23% to 12.00%, and are scheduled to mature serially through August 2034.

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

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

On August 12, 2015, the District issued 2015 General Obligation Refunding Bonds totaling \$113,185,000. The proceeds were used to advance refund all of the Election of 2008, Series 2008 Bonds and a portion of the District's Election 2008, Series 2010A Bonds. The Refunding Bonds bear interest at rates ranging from 3.25% to 5.00%, and are scheduled to mature through August 2040. As of June 30, 2018, \$13,404,891 of the Series 2010A refunded bonds were still outstanding and scheduled to be repaid on August 1, 2020. The Series 2008 refunded bonds are fully repaid.

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

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

General Obligation Bonds

<u>Series</u>	<u>Balance July 1, 2017</u>	<u>Current Year Proceeds</u>	<u>Current Year, Maturities</u>	<u>Balance June 30, 2018</u>
Election 2008, Series 2010A	\$ 6,201,221	\$ -	\$ 663,600	\$ 5,537,621
Election 2008, Series 2010B	84,030,000	-	-	84,030,000
Election 2014, Series 2015	86,500,000	-	5,995,000	80,505,000
2015 GO Refunding Bonds	113,185,000	-	-	113,185,000
Election 2014, Series 2017	<u>134,000,000</u>	<u>-</u>	<u>-</u>	<u>134,000,000</u>
 Total General Obligation Bonds	 <u>\$423,916,221</u>	 <u>\$ -</u>	 <u>\$ 6,658,600</u>	 <u>\$417,257,621</u>

Accreted Interest

<u>Series</u>	<u>Beginning</u>	<u>Accretion</u>	<u>Deductions</u>	<u>Total</u>
2010A	<u>\$ 6,390,619</u>	<u>\$ 1,344,654</u>	<u>\$ 851,400</u>	<u>\$ 6,883,873</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The General Obligation Bonds are scheduled to mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,040,696	\$ 21,626,372	\$ 26,667,068
2020	952,986	21,902,258	22,855,244
2021	988,365	22,272,303	23,260,668
2022	2,530,079	20,516,838	23,046,917
2023	3,570,000	20,181,168	23,751,168
2024-2028	31,869,656	99,051,169	130,920,825
2029-2033	63,107,555	92,052,857	155,160,412
2034-2038	101,358,284	84,012,403	185,370,687
2039-2043	183,865,000	36,086,220	219,951,220
2044-2045	<u>23,975,000</u>	<u>881,081</u>	<u>24,856,081</u>
	<u>\$ 417,257,621</u>	<u>\$ 418,582,669</u>	<u>\$ 835,840,290</u>

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

Scheduled payments for the Refunding COPs are as follows:

Year Ending <u>June 30,</u>	<u>COPs Payments</u>
2019	\$ 1,237,804
2020	1,235,304
2021	1,237,204
2022	1,233,354
2023	1,237,885
2024-2028	6,177,994
2029-2032	<u>5,310,940</u>
Total payments	17,670,485
Less amount representing interest	<u>(4,220,485)</u>
Net present value of minimum payments	<u>\$ 13,450,000</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

Year Ending <u>June 30,</u>	<u>Lease Payments</u>
2019	\$ 417,776
2020	448,480
2021	462,328
2022	479,852
2023	498,076
2024-2028	<u>1,593,337</u>
Total payments	3,899,849
Less amount representing interest	<u>(318,073)</u>
Net present value of minimum payments	<u><u>\$ 3,581,776</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017 <u>as Restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2018	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 423,916,221	\$ -	\$ 6,658,600	\$ 417,257,621	\$ 5,040,696
Unamortized premiums	17,677,541	-	741,486	16,936,055	775,851
Accreted interest	6,390,619	1,344,654	851,400	6,883,873	1,159,304
Certificates of Participation	14,175,000	-	725,000	13,450,000	750,000
Capitalized lease obligations	4,475,891	-	894,115	3,581,776	348,716
PG&E Energy savings loans	11,700	-	11,700	-	-
Other postemployment benefits (OPEB) (Note 7)	110,694,884	6,877,584	-	117,572,468	-
Net pension liability (Notes 8 & 9)	267,257,000	34,435,000	-	301,692,000	-
Compensated absences	<u>2,131,497</u>	<u>63,322</u>	<u>-</u>	<u>2,194,819</u>	<u>-</u>
	<u>\$ 846,730,353</u>	<u>\$ 42,720,560</u>	<u>\$ 9,882,301</u>	<u>\$ 879,568,612</u>	<u>\$ 8,074,567</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments for compensated absences, net pension liability, and OPEB are made from the fund for which the related employees worked.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Building Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 100,000	\$ -	\$ 2,450	\$ 102,450
Stores inventory	<u>14,592</u>	<u>-</u>	<u>152,964</u>	<u>167,556</u>
Subtotal nonspendable	<u>114,592</u>	<u>-</u>	<u>155,414</u>	<u>270,006</u>
Restricted:				
Legally restricted programs	8,749,246	-	5,711,623	14,460,869
Capital projects	-	165,421,192	2,838,783	168,259,975
Debt service	<u>-</u>	<u>-</u>	<u>19,412,755</u>	<u>19,412,755</u>
Subtotal restricted	<u>8,749,246</u>	<u>165,421,192</u>	<u>27,963,161</u>	<u>202,133,599</u>
Unassigned:				
Designated for economic uncertainty	7,713,774	-	-	7,713,774
Undesignated	<u>4,545,815</u>	<u>-</u>	<u>-</u>	<u>4,545,815</u>
Subtotal assigned	<u>12,259,589</u>	<u>-</u>	<u>-</u>	<u>12,259,589</u>
Total fund balances	<u>\$ 21,123,427</u>	<u>\$165,421,192</u>	<u>\$ 28,118,575</u>	<u>\$214,663,194</u>

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits Plan

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides other post-employment benefits (OPEB) to certain eligible retirees, and spouses through an implicit rate subsidy, for all retirees who elect to purchase benefits at the District's negotiated insurance premium rates. The plan does not issue separate financial statements.

The District's other post-employment benefit healthcare plan (Plan) is a single-employer defined benefit plan. The Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue receiving paid medical coverage as a participant in the District's plan. Retirees may participate in the District's dental and vision plans on a self-paid basis. The District's Board of Trustees has the authority to establish or amend the benefit terms offered by the Plan. The Board of Trustees also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided: Employees who retire after reaching age 55 with at least 10 years of service, in accordance with contracts between the District and the respective employee group, are entitled to receive a monthly medical benefit through the Plan up to the Kaiser Bay Area Basic single rate, through age 65.

Certificated and Confidential Employees - Certificated employees who retire after reaching age 65 and were hired before June 30, 1998 are eligible to receive up to the Medicare premium in which they are enrolled, in addition to the Medicare Part B premium. The benefit is capped at the Kaiser Bay Area Basic single rate, until age 70. Certificated employees who retire after reaching age 65 and were hired on or after June 30, 1998, are only entitled to receive the minimum benefit available through the CalPERS Health Program.

Other Employees - After reaching age 65, non-certificated retirees may receive up to the Medicare premium in which they are enrolled, in addition to the Medicare Part B premium. The benefit is capped at the Kaiser Bay Area Basic single rate, until age 70.

After age 70, all retirees only receive the minimum benefit available through the CalPERS Health Program, which is operated under the Public Employees Medical and Hospital Care Act (PEMHCA).

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	965
Active employees	<u>2,145</u>
	<u><u>3,110</u></u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Board of Trustees. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost. Contributions to the Plan from the District were \$4,342,250 for the year ended June 30, 2018. Employees are not required to contribute to this plan.

Total OPEB Liability

The District's total OPEB liability of \$117,572,468 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Valuation Date</u>	June 30, 2018
<u>Actuarial Method</u>	Entry Age, Level Percent of Pay method has been used, with normal costs calculated as a level percentage of payroll.
<u>Discount Rate</u>	3.62%, per the Fidelity GO Bond 20-Year High Grade Rate index.
<u>Salary Increases</u>	3.00% per year
<u>Retirement/Termination Rates</u>	Retirement rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2009)
<u>Mortality Rates</u>	Mortality rates are taken from the 2014 CalPERS OPEB Assumptions Model (for classified employees) and from the 2009 valuation of STRS (for certificated employees).
<u>Medical Claims</u>	Medical claims were estimated based on the true per person costs of coverage during the year ended June 30, 2018. The age-specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees

<u>Age</u>	<u>Cost</u>
50	\$10,600
55	\$11,992
60	\$13,568
64	\$14,977
65	\$3,440
70	\$3,706
75	\$3,992
80	\$4,301
85+	\$4,633

<u>Retirement Rates</u>	Retirement rates are taken from the most recent experience studies for CalPERS (2014) and CalSTRS (2010).
<u>Healthcare Trend Rates</u>	Healthcare costs are assumed to increase by 5.80% in fiscal 2018 and future years.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Inflation Rates</u>	Inflation is assumed to increase based on the Medical Care Consumer Price Index (CPI) of 2.9% for 2018 and 3.5% for future periods.
<u>Health Plan Coverage Elections</u>	30% of employees with less than 10 years District service were assumed to waive the minimum benefit coverage provided through the CalPERS Health Program under PEMHCA. 25% of future retirees are assumed to waive coverage provided through the CalPERS Health Program after age 70 (or age 65 for certificated employees hired on or after June 30, 1998; confidential employees hired after November 8, 1994).
<u>Retirees with Spouses</u>	For future retirees, 50% were assumed to have spouses, and female spouses were assumed to be three years younger than male spouses. For current retirees, spousal assumptions were based on actual data.
<u>Disability Rate</u>	None

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.62%. The municipal bond rate was based on the week closest but not later than the measurement date of the Fidelity GO Bond 20-Year High Grade Rate index as published by the Federal Reserve. The Fidelity GO Bond 20-Year High Grade Rate index consists of general obligation bonds which are scheduled mature in 20 years, with an average rating roughly equivalent to Moody's Investors Service's Aa2 rating or Standard & Poor's Corp.'s AA.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ <u>110,694,884</u>
Changes for the year:	
Service cost	7,290,575
Interest	3,929,259
Benefit payments	<u>(4,342,250)</u>
Net change	<u>6,877,584</u>
Balance at June 30, 2018	<u>\$ 117,572,468</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table 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 (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	<u>\$ 132,823,547</u>	<u>\$ 117,572,468</u>	<u>\$ 104,686,119</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following table 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 (4.80%)	Healthcare Cost Trend Rates Rate (5.80%)	1% Increase (6.80%)
Total OPEB Liability	<u>\$ 101,266,793</u>	<u>\$ 117,572,468</u>	<u>\$ 138,065,198</u>

OPEB Expense, 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 \$11,219,834. There are no deferred inflows or outflows to be reported for the District, for the year ended June 30, 2018.

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

(Continued)

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$17,661,385 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below:

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.328%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

- (1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- (2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.
- (3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.
- (4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

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

District’s proportionate share of the net pension liability	\$ 211,644,000
State’s proportionate share of the net pension liability associated with the District	<u>125,208,000</u>
Total	<u><u>\$ 336,852,000</u></u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District’s proportion was 0.229 percent, which was a decrease of 0.009 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$32,459,148 and revenue of \$12,443,006 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 783,000	\$ 3,691,000
Changes of assumptions	39,210,000	-
Net differences between projected and actual earnings on investments	-	5,637,000
Changes in proportion and differences between District contributions and proportionate share of contributions	6,770,000	6,850,000
Contributions made subsequent to measurement date	<u>17,661,385</u>	<u>-</u>
Total	<u>\$ 64,424,385</u>	<u>\$ 16,178,000</u>

\$17,661,385 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 1,698,200
2020	\$ 9,930,200
2021	\$ 6,896,200
2022	\$ 1,376,866
2023	\$ 5,120,867
2024	\$ 5,562,667

Differences between expected and actual experience and changes of assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
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)

* 20-year geometric average.

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District’s proportionate share of the net pension liability	<u>\$ 310,761,000</u>	<u>\$ 211,644,000</u>	<u>\$ 131,204,000</u>

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

(Continued)

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$7,620,247 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$90,048,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District’s proportion was 0.377 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2016.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

For the year ended June 30, 2018, the District recognized pension expense of \$17,723,320. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,226,000	\$ -
Changes of assumptions	13,153,000	1,060,000
Net differences between projected and actual earnings on investments	3,115,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,772,000	801,000
Contributions made subsequent to measurement date	<u>7,620,247</u>	<u>-</u>
Total	<u>\$ 28,886,247</u>	<u>\$ 1,861,000</u>

\$7,620,247 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 5,879,750
2020	\$ 9,309,750
2021	\$ 5,921,250
2022	\$ (1,705,750)

Differences between expected and actual experience and changes of assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

During the 2016-17 measurement period, the financial reporting discount rate for PERF B was lowered from 7.65 percent to 7.15 percent.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1 - 10⁽¹⁾</u>	<u>Expected Real Rate of Return Years 11+⁽²⁾</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period.

(2) An expected inflation rate of 3.00% used for this period.

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	<u>\$ 132,489,000</u>	<u>\$ 90,048,000</u>	<u>\$ 54,839,000</u>

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

NOTE 10 - JOINT POWERS AUTHORITIES

Schools Insurance Authority: The District is a member of Schools Insurance Authority (SIA) which provides property and liability coverage. SIA is self-sustaining through member premiums and also reinsures through commercial companies for claims in excess of \$100,000 and \$750,000 for each insured event for property and liability, respectively. The District carries commercial insurance for all other risks of loss, including workers’ compensation, and employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years and there were no significant reductions in insurance coverage from the prior year.

The following is a summary of financial information for SIA at June 30, 2018:

Total assets	\$ 156,099,265
Total deferred outflows	\$ 2,183,259
Total liabilities	\$ 78,395,474
Total deferred inflows	\$ 438,183
Total net position	\$ 79,448,867
Total revenues	\$ 64,932,531
Total expenses	\$ 59,366,494
Change in net position	\$ 5,566,037

Eden Area Regional Occupational Program (EAROP): The District is a member of Eden Area Regional Occupational Program (EAROP), to provide occupational education programs for youths and adults. The following is a summary of financial information for EAROP at June 30, 2017 (the most current information available):

Total assets	\$ 23,145,048
Total deferred outflows	\$ 1,734,617
Total liabilities	\$ 14,351,531
Total deferred inflows	\$ 572,672
Total net position	\$ 9,955,462
Total revenues	\$ 12,808,982
Total expenses	\$ 14,485,199
Change in net position	\$ (1,676,217)

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

(Continued)

NOTE 11 - CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

HAYWARD UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 142,916,467	\$ 141,018,277	\$ 131,885,005	\$ (9,133,272)
Local sources	<u>54,297,350</u>	<u>53,576,183</u>	<u>62,433,139</u>	<u>8,856,956</u>
Total LCFF	<u>197,213,817</u>	<u>194,594,460</u>	<u>194,318,144</u>	<u>(276,316)</u>
Federal sources	17,283,417	17,908,131	17,611,526	(296,605)
Other state sources	23,332,852	24,002,868	24,554,842	551,974
Other local sources	<u>18,586,076</u>	<u>20,685,322</u>	<u>22,091,172</u>	<u>1,405,850</u>
Total revenues	<u>256,416,162</u>	<u>257,190,781</u>	<u>258,575,684</u>	<u>1,384,903</u>
Expenditures:				
Current:				
Certificated salaries	123,013,728	122,678,653	123,470,219	(791,566)
Classified salaries	47,862,828	47,317,611	48,046,297	(728,686)
Employee benefits	49,280,450	46,655,445	46,080,735	574,710
Books and supplies	7,292,800	7,457,863	6,896,079	561,784
Contract services and operating expenditures	30,163,852	31,715,190	27,768,697	3,946,493
Other outgo	3,431,662	3,577,704	3,495,608	82,096
Capital outlay	340,010	1,083,417	948,372	135,045
Debt service:				
Principal retirement	904,892	839,493	905,815	(66,322)
Interest	<u>83,995</u>	<u>84,002</u>	<u>83,072</u>	<u>930</u>
Total expenditures	<u>262,374,217</u>	<u>261,409,378</u>	<u>257,694,894</u>	<u>3,714,484</u>
Deficiency of revenues under expenditures	<u>(5,958,055)</u>	<u>(4,218,597)</u>	<u>880,790</u>	<u>5,099,387</u>
Other financing sources (uses):				
Transfers in	876,793	942,652	729,410	(213,242)
Transfers out	<u>(135,000)</u>	<u>(135,000)</u>	<u>(160,138)</u>	<u>(25,138)</u>
Total other financing sources (uses)	<u>741,793</u>	<u>807,652</u>	<u>569,272</u>	<u>(238,380)</u>
Change in fund balance	(5,216,262)	(3,410,945)	1,450,062	4,861,007
Fund balance, July 1, 2017	<u>19,673,365</u>	<u>19,673,365</u>	<u>19,673,365</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 14,457,103</u>	<u>\$ 16,262,420</u>	<u>\$ 21,123,427</u>	<u>\$ 4,861,007</u>

See accompanying note to required supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
 For the Year Ended June 30, 2018

Last 10 Fiscal Years

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 7,290,575
Interest	3,929,259
Benefit Payments	<u>(4,342,250)</u>
Net change in total OPEB liability	6,877,584
Total OPEB liability - beginning of year	<u>110,694,884</u>
Total OPEB liability - end of year (a)	<u>\$ 117,572,468</u>
Covered employee payroll	\$ 180,492,472
Total OPEB liability as a percentage of covered-employee payroll	65.14%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

	State Teachers' Retirement Plan Last 10 Fiscal Years			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.226%	0.245%	0.238%	0.229%
District's proportionate share of the net pension liability	\$132,051,000	\$164,849,000	\$192,118,000	\$211,644,000
State's proportionate share of the net pension liability associated with the District	<u>79,738,000</u>	<u>87,187,000</u>	<u>109,380,000</u>	<u>125,208,000</u>
Total net pension liability	<u>\$211,789,000</u>	<u>\$252,036,000</u>	<u>\$301,498,000</u>	<u>\$336,852,000</u>
District's covered payroll	\$100,648,000	\$113,651,000	\$118,379,000	\$121,678,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.357%	0.366%	0.380%	0.377%
District's proportionate share of the net pension liability	\$ 40,536,000	\$ 53,900,000	\$ 75,139,000	\$ 90,048,000
District's covered payroll	\$ 37,484,000	\$ 40,483,000	\$ 45,643,000	\$ 49,065,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	183.53%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 10,092,193	\$ 12,702,085	\$ 15,307,142	\$ 17,661,385
Contributions in relation to the contractually required contribution	<u>(10,092,193)</u>	<u>(12,702,085)</u>	<u>(15,307,142)</u>	<u>(17,661,385)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$113,651,000	\$118,379,000	\$121,678,000	\$121,291,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.56%

All years prior to 2015 are not available.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 4,765,296	\$ 5,407,313	\$ 7,620,247	\$ 7,620,247
Contributions in relation to the contractually required contribution	<u>(4,765,296)</u>	<u>(5,407,313)</u>	<u>(7,620,247)</u>	<u>(7,620,247)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 40,483,000	\$ 45,643,000	\$ 49,065,000	\$ 49,065,000
Contributions as a percentage of covered payroll	11.77%	11.85%	15.53%	15.53%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

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

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

D - Schedule of District Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for the State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

HAYWARD UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
ASSETS							
Cash in County Treasury	\$ 56,180	\$ 28,712	\$ 4,704,685	\$ 2,019,461	\$ 940,561	\$ 19,378,737	\$ 27,128,336
Cash on hand and in banks	(1,067)	-	19,794	-	-	-	18,727
Cash in revolving fund	-	-	2,450	-	-	-	2,450
Cash with fiscal agent	-	-	-	362,203	-	-	362,203
Receivables	793,007	481,050	1,473,110	16,673	1,873	34,018	2,799,731
Due from other funds	50,815	-	-	-	-	-	50,815
Stores inventory	-	-	152,964	-	-	-	152,964
	<u>-</u>	<u>-</u>	<u>152,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,964</u>
Total assets	<u>\$ 898,935</u>	<u>\$ 509,762</u>	<u>\$ 6,353,003</u>	<u>\$ 2,398,337</u>	<u>\$ 942,434</u>	<u>\$ 19,412,755</u>	<u>\$ 30,515,226</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 22,952	\$ 114,577	\$ 126,323	\$ 2,607	\$ -	\$ -	\$ 266,459
Unearned Revenue	-	-	-	-	499,381	-	499,381
Due to other funds	<u>870,500</u>	<u>331,651</u>	<u>428,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,630,811</u>
Total liabilities	<u>893,452</u>	<u>446,228</u>	<u>554,983</u>	<u>2,607</u>	<u>499,381</u>	<u>-</u>	<u>2,396,651</u>
Fund balances:							
Nonspendable	-	-	155,414	-	-	-	155,414
Restricted	<u>5,483</u>	<u>63,534</u>	<u>5,642,606</u>	<u>2,395,730</u>	<u>443,053</u>	<u>19,412,755</u>	<u>27,963,161</u>
Total fund balances	<u>5,483</u>	<u>63,534</u>	<u>5,798,020</u>	<u>2,395,730</u>	<u>443,053</u>	<u>19,412,755</u>	<u>28,118,575</u>
Total liabilities and fund balances	<u>\$ 898,935</u>	<u>\$ 509,762</u>	<u>\$ 6,353,003</u>	<u>\$ 2,398,337</u>	<u>\$ 942,434</u>	<u>\$ 19,412,755</u>	<u>\$ 30,515,226</u>

HAYWARD UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
Revenues:							
Federal sources	\$ 1,010,948	\$ 1,029,265	\$ 7,861,396	\$ -	\$ -	\$ 2,015,759	\$ 11,917,368
Other state sources	2,209,445	3,732,162	476,711	-	-	136,252	6,554,570
Other local sources	<u>327,472</u>	<u>46,571</u>	<u>573,467</u>	<u>1,246,082</u>	<u>12,685</u>	<u>20,753,999</u>	<u>22,960,276</u>
Total revenues	<u>3,547,865</u>	<u>4,807,998</u>	<u>8,911,574</u>	<u>1,246,082</u>	<u>12,685</u>	<u>22,906,010</u>	<u>41,432,214</u>
Expenditures:							
Current:							
Certificated salaries	1,346,603	1,588,840	-	-	-	-	2,935,443
Classified salaries	906,291	1,350,555	3,971,167	-	-	-	6,228,013
Employee benefits	589,232	804,376	987,498	-	-	-	2,381,106
Books and supplies	58,596	103,699	3,030,662	-	-	-	3,192,957
Contract services and operating expenditures	594,088	765,597	172,396	-	-	-	1,532,081
Capital outlay	-	-	325,027	29,921	99,820	-	454,768
Debt service:							
Principal retirement	-	-	-	725,000	-	6,658,600	7,383,600
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,554</u>	<u>-</u>	<u>20,002,777</u>	<u>20,512,331</u>
Total expenditures	<u>3,494,810</u>	<u>4,613,067</u>	<u>8,486,750</u>	<u>1,264,475</u>	<u>99,820</u>	<u>26,661,377</u>	<u>44,620,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,055</u>	<u>194,931</u>	<u>424,824</u>	<u>(18,393)</u>	<u>(87,135)</u>	<u>(3,755,367)</u>	<u>(3,188,085)</u>
Other financing uses:							
Transfers in	-	-	160,138	-	-	-	160,138
Transfers out	<u>(47,572)</u>	<u>(253,168)</u>	<u>(428,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(729,410)</u>
Total other financing uses	<u>(47,572)</u>	<u>(253,168)</u>	<u>(268,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(569,272)</u>
Net change in fund balances	5,483	(58,237)	156,292	(18,393)	(87,135)	(3,755,367)	(3,757,357)
Fund balances, July 1, 2017	<u>-</u>	<u>121,771</u>	<u>5,641,728</u>	<u>2,414,123</u>	<u>530,188</u>	<u>23,168,122</u>	<u>31,875,932</u>
Fund balances, June 30, 2018	<u>\$ 5,483</u>	<u>\$ 63,534</u>	<u>\$ 5,798,020</u>	<u>\$ 2,395,730</u>	<u>\$ 443,053</u>	<u>\$ 19,412,755</u>	<u>\$ 28,118,575</u>

HAYWARD UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
Student Body Funds				
<u>Hayward High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>73,306</u>	\$ <u>295,522</u>	\$ <u>291,576</u>	\$ <u>77,252</u>
Liabilities:				
Due to student groups	\$ <u>73,306</u>	\$ <u>295,522</u>	\$ <u>291,576</u>	\$ <u>77,252</u>
<u>Mt. Eden High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>181,328</u>	\$ <u>394,007</u>	\$ <u>368,323</u>	\$ <u>207,012</u>
Liabilities:				
Due to student groups	\$ <u>181,328</u>	\$ <u>394,007</u>	\$ <u>368,323</u>	\$ <u>207,012</u>
<u>Tennyson High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>67,288</u>	\$ <u>147,056</u>	\$ <u>139,053</u>	\$ <u>75,291</u>
Liabilities:				
Due to student groups	\$ <u>67,288</u>	\$ <u>147,056</u>	\$ <u>139,053</u>	\$ <u>75,291</u>
<u>Southgate Elementary School</u>				
Assets:				
Cash on hand and in banks	\$ <u>7,250</u>	\$ <u>15,273</u>	\$ <u>12,152</u>	\$ <u>10,371</u>
Liabilities:				
Due to student groups	\$ <u>7,250</u>	\$ <u>15,273</u>	\$ <u>12,152</u>	\$ <u>10,371</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>329,172</u>	\$ <u>851,858</u>	\$ <u>811,104</u>	\$ <u>369,926</u>
Liabilities:				
Due to student groups	\$ <u>329,172</u>	\$ <u>851,858</u>	\$ <u>811,104</u>	\$ <u>369,926</u>

HAYWARD UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

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

BOARD OF EDUCATION

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

ADMINISTRATION

Dr. Matt Wayne
Superintendent

Dr. Peter Parenti
Assistant Superintendent, Educational Services

Mr. Allan Garde
Assistant Superintendent, Business Services

Ms. Delia Ruiz
Assistant Superintendent, Human Resources

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

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2018

	Second Period <u>Report</u>	Annual <u>Report</u>
Certificate Numbers	<u>5EDC9A16</u>	<u>9077543B</u>
Elementary:		
Transitional Kindergarten through Third	6,629	6,637
Fourth through Sixth	4,936	4,931
Seventh through Eighth	2,877	2,878
Special Education	<u>32</u>	<u>31</u>
Total Elementary	<u>14,474</u>	<u>14,477</u>
Secondary:		
Regular Classes	4,736	4,687
Continuation Education	146	142
Special Education	<u>50</u>	<u>49</u>
Total Secondary	<u>4,932</u>	<u>4,878</u>
	<u><u>19,406</u></u>	<u><u>19,355</u></u>

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2018

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>				
Kindergarten	36,000	39,600	180	In Compliance
Grade 1	50,400	53,440	180	In Compliance
Grade 2	50,400	53,440	180	In Compliance
Grade 3	50,400	53,440	180	In Compliance
Grade 4	54,000	54,630	180	In Compliance
Grade 5	54,000	54,630	180	In Compliance
Grade 6	54,000	54,630	180	In Compliance
Grade 7	54,000	54,050	180	In Compliance
Grade 8	54,000	54,050	180	In Compliance
Grade 9	64,800	64,901	180	In Compliance
Grade 10	64,800	64,901	180	In Compliance
Grade 11	64,800	64,901	180	In Compliance
Grade 12	64,800	64,901	180	In Compliance

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement	13379	\$ 3,482,712
84.027A	Special Ed: IDEA: Preschool Local Entitlement	13682	499,965
84.027	Special Ed: IDEA Mental Health Allocation Plan	14468	234,099
84.173	Special Ed: IDEA Preschool Grants	13430	<u>174,390</u>
	Subtotal Special Education Cluster		<u>4,391,166</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education	14508	508,853
84.002	Adult Education: English Literacy	14109	80,370
84.002	Adult Education: Adult Secondary Education	13978	<u>55,944</u>
	Subtotal Adult Education Programs		<u>645,167</u>
	Title I, Part C Programs:		
84.011	ESEA: Title I, Part C, Migrant Ed (Regular and Summer Programs)	14326	348,166
84.011	ESEA: Title I, Part C, Migrant Education (MESRP)	14768	<u>170,042</u>
	Subtotal Title I, Part C Programs		<u>518,208</u>
	Title III Programs:		
84.365	ESEA: Title III, English Learner Student Program	14346	686,477
84.365	ESEA: Title III, Immigrant Student Program	15146	<u>91,513</u>
	Subtotal Title III Programs		<u>777,990</u>
84.010	ESEA: Title I, Basic Grants Low-Income and Neglected	14329	5,131,288
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132	14893	171,298
84.181	Special Ed: IDEA Early Intervention Grants	24314	114,333
84.215N	Promise Neighborhood Grant	N/A	101,903
84.287	ESEA: Title IV, 21st Century Community Learning Centers Program	14349	5,132,889
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CaMSP)	14512	23,246
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	<u>749,423</u>
	Total U.S. Department of Education		<u>17,756,911</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: National School Lunch	13396	\$ 5,908,538
10.559	Child Nutrition: Summer Food Service Program	13004	<u>213,334</u>
	Subtotal Child Nutrition Cluster		<u>6,121,872</u>
	Child Nutrition: CCFP Programs		
10.558	Child Nutrition: Child Care Food Program Claims Centers and Family	13393	1,531,068
10.558	Child Nutrition: CCFP Cash in Lieu of Commodities	13389	<u>110,282</u>
	Subtotal Child Nutrition: CCFP Programs		<u>1,641,350</u>
	Total U.S. Department of Agriculture		<u>7,763,222</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
17.259	WIA: High Risk Youth Formula Grant - WIOA Cluster	10171	<u>365,781</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Development: Fed Child Care - CCDF Cluster	13609	1,029,265
93.778	Dept. of Health Services: Medi-Cal Billing - Medicaid Cluster	10013	<u>135,705</u>
	Total U.S. Department of Health and Human Services		<u>1,164,970</u>
<u>U.S. Corporation for National and Community Service - Passed through California Department of Education</u>			
94.006	AmeriCorps	N/A	<u>129,855</u>
	Total Federal Programs		<u>\$ 27,180,739</u>

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2018
(UNAUDITED)

<u>General Fund</u>	(Budget) <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues and other financing sources	\$ <u>265,130,210</u>	\$ <u>259,305,094</u>	\$ <u>263,917,492</u>	\$ <u>255,059,959</u>
Expenditures	266,428,391	257,694,894	263,683,023	243,115,623
Other uses and transfers out	<u>135,000</u>	<u>160,138</u>	<u>136,294</u>	<u>412,326</u>
Total outgo	<u>266,563,391</u>	<u>257,855,032</u>	<u>263,819,317</u>	<u>243,527,949</u>
Change in fund balance	\$ <u>(1,433,181)</u>	\$ <u>1,450,062</u>	\$ <u>98,175</u>	\$ <u>11,532,010</u>
Ending fund balance	\$ <u>19,690,246</u>	\$ <u>21,123,427</u>	\$ <u>19,673,365</u>	\$ <u>19,575,190</u>
Available reserves	\$ <u>10,363,090</u>	\$ <u>12,259,589</u>	\$ <u>12,628,564</u>	\$ <u>7,750,871</u>
Designated for economic uncertainties	\$ <u>7,966,000</u>	\$ <u>7,713,774</u>	\$ <u>12,628,564</u>	\$ <u>7,270,518</u>
Undesignated fund balance	\$ <u>2,397,090</u>	\$ <u>4,545,815</u>	\$ <u>-</u>	\$ <u>480,353</u>
Available reserves as percentages of total outgo	<u>3.89%</u>	<u>4.75%</u>	<u>4.79%</u>	<u>3.18%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>871,494,045</u>	\$ <u>879,568,612</u>	\$ <u>846,730,353</u>	\$ <u>585,402,749</u>
Average daily attendance at P-2, excluding Adult and ROP	<u>19,194</u>	<u>19,406</u>	<u>19,732</u>	<u>19,929</u>

The General Fund fund balance has experienced a net increase of \$13,080,247 over the past three years. The fiscal year 2018-2019 budget projects a decrease of \$1,433,181. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District met the minimum requirement for the fiscal year ended June 30, 2018.

The District has recognized an operating surplus in each of the past three years, however anticipates an operating deficit for the 2018-2019 fiscal year.

Total long-term liabilities have increased by \$294,165,863 over the past two years, due primarily to the issuance of General Obligation Bonds and the implementation of GASB Statement Nos. 68 and 75.

Average daily attendance has decreased by 523 over the past two years. The District anticipates a decrease of 212 ADA for the 2018-2019 fiscal year.

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

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

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 29,528,894
Less:		
Federal interest reimbursement on Build America Bonds	N/A	(2,015,759)
Federal E-Rate telecommunications program	N/A	(181,679)
Medi-Cal Billing Options unspent	93.778	<u>(150,717)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 27,180,739</u>

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018
(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt this program.



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

Board of Education
Hayward Unified School District
Hayward, California

Report on Compliance with State Laws and Regulations

We have audited Hayward Unified School District's compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

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

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

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

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

The District did not report any ADA for Apprenticeship: Related and Supplemental or Independent Study-Course Based; therefore, we did not perform any procedures related to these programs.

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Hayward Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Hayward Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Hayward Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion with State Laws and Regulations

In our opinion, Hayward Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

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

Board of Education
Hayward Unified School District
Hayward, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hayward Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hayward Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

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

Board of Education
Hayward Unified School District
Hayward, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
December 11, 2018

FINDINGS AND RECOMMENDATIONS

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.559 84.027, 84.173, 84.173A	Child Nutrition Cluster Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 815,422

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

STATE AWARDS

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

HAYWARD UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2017-01 <u>Condition:</u> The District's public hearing and subsequent determination of textbook sufficiency was not held prior to the eighth week of the first day pupils attended school for the 2016-17 school year. <u>Recommendation:</u> The District should implement a control to ensure the public hearing and textbook determination are completed within the time frame required by the California Education Code Section 60119.	Implemented.	