

HAYWARD UNIFIED SCHOOL DISTRICT
Hayward, California

FINANCIAL STATEMENTS
June 30, 2015

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HAYWARD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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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, 2015 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, 2015, 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, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 7 and 8, Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. 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 12 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 51 to 56 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 *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 is 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 9, 2015 on our consideration of Hayward Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hayward Unified School District's internal control over financial reporting and compliance.



Crowe Horwath LLP

Sacramento, California
December 9, 2015

Hayward Unified School District Management's Discussion and Analysis June 30, 2015

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, 2015.

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 62.4 percent Latino, 5.5 percent Caucasian, 10.9 percent African American, 7.8 percent Asian, 6.9 percent Filipino, 3.3 percent Pacific islander, 0.4 percent Native American/Alaska Native, 2.3 percent of two or more races, and 0.5 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 various health or other conditions. The District provides its students with a safe learning environment, opportunity and support to attain high academic achievement, and skills to become contributing members of society.

FINANCIAL HIGHLIGHTS

- The General Fund, including both restricted and unrestricted funding sources, decreased by \$9.5 million compared to prior year's decrease of \$4.2 million. In the aggregate, the District's Governmental Funds decreased by \$13.6 million compared to prior year's decrease of \$9.0 million. As in the prior year, the aggregate decrease was primarily due to capital projects with the remaining bond funds, which appear as capital assets on the Statement of Net Position. Additional reductions in the General Fund's fund balance due to a negotiated salary increase for all employees of 2%.
- The District implemented Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions* in the current year. The primary objective of this Statement is to improve accounting and financial reporting for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Due to the implementation of GASB 68, the District's July 1, 2014 beginning balance had to be restated to show the cumulative effect of the GASB 68 implementation, (\$201,856,661). Because of these restatements, the District's net position for the fiscal year ending June 30, 2014 has been restated to (\$139,635,418) from \$62,221,243.
- Total net position continued to decline in the current year, decreasing by 18.4% compared to prior year's decrease of 27.4%.
- Capital assets decreased by \$3.3 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.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2015**

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.

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, 2015**

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, 2015, 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, 2015**

• **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, 2015, was a negative \$165.3 million. This is a net decrease of \$227.6 million, or 365%, compared to the previous year primarily due to the implementation of GASB Statement No. 68 and No. 71.

Table A-1 Hayward Unified Net Position (in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2014</u>	<u>2015</u>	
Current and Other Assets	\$ 72.5	\$ 60.1	(29.4%)
Capital Assets	253.7	250.4	3.9%
Total Assets	326.2	310.5	(4.8%)
Deferred Outflow	0.3	16.6	5,433%
Long-Term Debt Outstanding	242.3	422.8	74.5%
Other Liabilities	21.8	23.2	6.6%
Total Liabilities	264.1	446.0	68.9%
Deferred Inflow	0.0	46.4	100.0%
	0.0	46.4	100.0%
Net Investment in Capital Assets	34.1	29.0	(15.0%)
Restricted	47.1	41.3	(12.5%)
Unrestricted	(19.0)	(235.6)	1,139.9%
Total Net Position	\$ 62.2	(\$165.3)	(365%)

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2015**

CHANGES IN NET POSITION

The District's total revenues were \$245.5 million, up \$22.9 million compared to the prior year (Table A-2). Property taxes and federal and state aid not restricted to specific purposes accounted for 74% of the District's total revenue. Operating grants and contributions represented 22%, and charges for services and other revenues made up the remaining 3%.

The total cost of all programs and services was \$271.1 million, up by \$31.4 million compared to the prior year. (Table A-2) The District's expenses are predominantly related to instruction, at 69% of total costs. Pupil services and general administration accounted for 10% and 4% of total costs, respectively. Plant services were 11% of costs; interest and other expenses at 7%.

Table A-2 Statements of Activities (in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total</u>
	<u>2014</u>	<u>2015</u>	<u>Percentage</u>
			<u>Change</u>
Revenues:			
Taxes and federal and state aid not restricted to specific purposes	\$161.6	\$182.3	12.8%
Operating grants and contributions	54.4	56.1	3.0%
Charges for services	3.0	4.2	41.6%
Other local revenues	3.6	2.9	(19.6)%
Total Revenues	<u>222.6</u>	<u>245.5</u>	<u>10.3%</u>
Expenses:			
Instruction-related	155.8	185.9	19.3%
Pupil services	22.8	26.0	14.1%
General administration	15.7	11.0	(30.0)%
Plant services	27.6	30.1	9.1%
Interest and other	17.8	18.1	1.9%
Total Expenses	<u>239.7</u>	<u>271.1</u>	<u>13.1%</u>
Increase (decrease) in net position	<u>\$(17.1)</u>	<u>\$(25.7)</u>	<u>50.2%</u>

- The cost of governmental activities this year was \$271.1 million.
- Some of the cost was paid by the users of the District's programs (\$4.2 million) through charges for services.
- The federal and state governments subsidized certain programs with grants and contributions (\$56.1 million).
- Most of the District's costs (\$182.3 million) were paid for by District taxpayers and the taxpayers of California in general, through \$59.9 million in property taxes and \$122.3 million of unrestricted federal and state aid.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2015**

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>Net Costs of Services</u>		
	<u>2014</u>	<u>2015</u>	<u>Percent Change</u>	<u>2014</u>	<u>2015</u>	<u>Percent Change</u>
Instruction	\$ 155.8	\$ 185.9	19.3%	\$ 115.0	\$143.7	25%
Student Transportation						
& Other Pupil Svcs	14.7	17.9	21.8%	12.7	14.6	15%
Food Services	8.1	8.1	0%	(0.1)	0.5	(607.1)%
General Administration	15.7	11.0	(30.0)%	13.5	9.4	(30.4)%
Plant Services	27.6	30.1	9.1%	27.0	29.6	9.5%
Interest and Other	<u>17.8</u>	<u>18.1</u>	<u>1.9%</u>	<u>14.2</u>	<u>13.1</u>	<u>-7.9%</u>
Totals	\$ <u>239.7</u>	\$ <u>271.1</u>	<u>13.1%</u>	\$ <u>182.3</u>	\$ <u>210.8</u>	<u>115.6%</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, decreased from \$17.6 million to \$8.0 million, of which \$3.9 million is legally restricted.

The portions of ending fund balance which are not legally restricted decreased from \$8.2 million to \$4.1 million and include \$.8 million in nonspendable revolving cash, stores inventory, and prepaid expenditures, plus \$.04 million undesignated and \$3.3 million (3% of total general fund expenditures) set aside for economic uncertainties.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2015**

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 can be found in the 2014-15 Unaudited Actuals report which is posted on the District's website.

The District's 2014-15 Adopted Budget projected a \$3.3 million ending unrestricted reserve balance; the final unrestricted reserve balance was \$.8 million higher at \$4.1 million. Final unrestricted revenues increased by \$5.1 million compared to Adopted which was primarily driven by an increase in Local Control Funding Formula (LCFF) revenue. Unrestricted expenditures increased by \$2 million from adopted budget projections, primarily due to a 2% retroactive salary increase to July 1, 2014. Contributions from the Unrestricted General Fund to Special Education also increased by \$2 million.

For restricted resources, the District's policy is to budget as if it will fully expend available funds; any amounts not actually expended are carried over to the next year. Therefore, although the 2014-15 Adopted Budget projected only a \$317 thousand ending restricted reserve balance, the final restricted reserve balance was \$3.6 million higher at \$3.9 million which is available to be spent in 2015-16.

CAPITAL ASSETS

By the end of 2015, the District had invested \$250.4 million, a net decrease of \$3.2 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 Measure I bond proceeds in the 2014-15 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>2014</u>	<u>2015</u>	
Land	\$12.6	\$12.6	0.0%
Work in Progress	0.0	.1	100.0%
Site Improvements	1.5	1.8	22.6%
Buildings	235.6	232.8	(1.2%)
Furniture and Equipment	3.9	3.1	(21.4%)
Total	<u>\$256.5</u>	<u>\$250.4</u>	<u>(1.3%)</u>

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2015**

LONG-TERM DEBT

At year end, the District's Outstanding Long-Term Debt increased to \$422.8 million, primarily due to the implementation of GASB Statement No. 68 and the increase in accreted interest on General Obligation Bond debt.

Table A-5 Hayward Unified Outstanding Long-Term Debt (in millions of dollars)			
	<u>Governmental Activities</u>		<u>Total</u>
	<u>2014</u>	<u>2015</u>	<u>Percentage</u> <u>Change</u>
General Obligation Bond	\$ 196.0	\$ 195.7	(0.2)%
Accreted Interest	7.5	9.8	31.2%
Compensated Absences	1.3	1.3	0%
Capital Leases	0.4	0.3	(26.3%)
Energy Retrofit Loan	0.1	0.1	(55.0%)
Certificates of Participation	15.6	15.6	(0.2%)
P G & E Energy Savings Loan	0.3	0.2	(39.3%)
Net Pension Liability	0.0	172.6	100%
Net OPEB Obligation	21.1	27.2	29.1%
Total	\$ 242.3	\$ 422.8	74.5%

FACTORS IMPACTING THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that will improve the financial forecast for 2015-16:

- 2015-16 will be the District's third year operating under the new local control funding formula (LCFF) which has aided the District in recovering from the economic challenges from the past eight years that constrained its financial outlook. As the LCFF continues to provide annual increased funding for the next several years, the District is projected to be successful in meeting its goals as illustrated in its Local Control Accountability Plan (LCAP) which was presented and adopted, as required, with the 2015-16 Budget.

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that will negatively impact the financial affairs of the District:

- As is true for all school districts, the additional employer retirement contributions to CalSTRS and CalPERS are scheduled to increase significantly over the next several years. By the 2017-2018 fiscal year, current projections show that the amount needed to cover just the retirement contributions will exceed the increase expected from LCFF funding.
- The District adopted the Compensation Study presented by the Personnel Commission which resulted in salary increases for most classified employees effective 7-1-2015. In addition, the District settled all collective bargaining agreements for 2015-16 with a 5% salary increase effective 7-1-2015.

**Hayward Unified School District
Management's Discussion and Analysis
June 30, 2015**

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 Assistant Superintendent, Business Services 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, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 43,842,787
Receivables	15,543,589
Prepaid expenses	676,582
Stores inventory	74,899
Non-depreciable capital assets (Note 4)	12,684,043
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>237,701,009</u>
Total assets	<u>310,522,909</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	16,460,989
Deferred loss from refunding of debt	<u>145,747</u>
Total deferred outflows	<u>16,606,736</u>
LIABILITIES	
Accounts payable	22,890,320
Unearned revenue	347,738
Long-term liabilities (Note 5):	
Due within one year	1,611,610
Due after one year	<u>421,150,526</u>
Total liabilities	<u>446,000,194</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>46,446,000</u>
NET POSITION	
Net investment in capital assets	28,986,982
Restricted (Note 7)	41,277,563
Unrestricted (deficit)	<u>(235,581,094)</u>
Total net position	<u>\$ (165,316,549)</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	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	\$ 157,110,585	\$ 670,260	\$ 34,560,485	\$ 170	\$ (121,879,670)
Instruction-related services:					
Supervision of instruction	12,219,984	172,648	5,184,831	-	(6,862,505)
Instructional library, media and technology	1,437,185	32,036	554,706	-	(850,443)
School site administration	15,138,322	5,529	1,022,695	-	(14,110,098)
Pupil services:					
Home-to-school transportation	6,458,049	28,550	1,370,777	-	(5,058,722)
Food services	8,099,722	1,598,113	5,994,477	-	(507,132)
All other pupil services	11,447,767	59,096	1,838,139	-	(9,550,532)
General administration:					
Data processing	2,107,455	15,625	34,459	-	(2,057,371)
All other general administration	8,876,147	81,883	1,457,085	-	(7,337,179)
Plant services	30,103,814	107,514	442,359	-	(29,553,941)
Ancillary services	566,517	495	8,220	-	(557,802)
Community services	83,939	-	-	-	(83,939)
Other outgo	3,435,961	1,477,224	3,583,483	-	1,624,746
Interest on long-term liabilities	14,057,472	-	-	-	(14,057,472)
	<u>\$ 271,142,919</u>	<u>\$ 4,248,973</u>	<u>\$ 56,051,716</u>	<u>\$ 170</u>	<u>\$ (210,842,060)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					45,579,753
Taxes levied for debt service					10,025,659
Taxes levied for other specific purposes					4,346,593
Federal and state aid not restricted to specific purposes					122,313,501
Interest and investment earnings					74,726
Interagency revenues					731,606
Miscellaneous					<u>2,089,091</u>
					Total general revenues <u>185,160,929</u>
					Change in net position <u>(25,681,131)</u>
					Net position, July 1, 2014 62,221,243
					Cumulative effect of GASB 65 implementation <u>(201,856,661)</u>
					Net position, July 1, 2014, as restated <u>(139,635,418)</u>
					Net position, June 30, 2015 <u>\$ (165,316,549)</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 10,478,840	\$ 18,431,865	\$ 8,964,197	\$ 5,283,010	\$ 43,157,912
Cash on hand and in banks	178,948	-	-	18,268	197,216
Cash in revolving fund	100,000	-	-	2,250	102,250
Cash with Fiscal Agent	-	-	-	362,203	362,203
Local Agency Investment Fund	23,206	-	-	-	23,206
Receivables	13,535,005	13,811	5,495	1,989,278	15,543,589
Prepaid expenditures	676,582	-	-	-	676,582
Due from other funds	981,785	121,594	-	216,639	1,320,018
Stores inventory	25,854	-	-	49,045	74,899
	<u>26,000,220</u>	<u>18,567,270</u>	<u>8,969,692</u>	<u>7,920,693</u>	<u>61,457,875</u>
Total assets	<u>\$ 26,000,220</u>	<u>\$ 18,567,270</u>	<u>\$ 8,969,692</u>	<u>\$ 7,920,693</u>	<u>\$ 61,457,875</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 17,332,087	\$ 433,304	\$ -	\$ 353,338	\$ 18,118,729
Unearned revenue	347,738	-	-	-	347,738
Due to other funds	277,215	60,797	-	982,006	1,320,018
	<u>17,957,040</u>	<u>494,101</u>	<u>-</u>	<u>1,335,344</u>	<u>19,786,485</u>
Total liabilities	<u>17,957,040</u>	<u>494,101</u>	<u>-</u>	<u>1,335,344</u>	<u>19,786,485</u>
Fund balances:					
Nonspendable	802,436	-	-	51,295	853,731
Restricted	3,922,360	18,073,169	8,969,692	6,534,054	37,499,275
Unassigned	3,318,384	-	-	-	3,318,384
	<u>8,043,180</u>	<u>18,073,169</u>	<u>8,969,692</u>	<u>6,585,349</u>	<u>41,671,390</u>
Total fund balances	<u>8,043,180</u>	<u>18,073,169</u>	<u>8,969,692</u>	<u>6,585,349</u>	<u>41,671,390</u>
Total liabilities and fund balances	<u>\$ 26,000,220</u>	<u>\$ 18,567,270</u>	<u>\$ 8,969,692</u>	<u>\$ 7,920,693</u>	<u>\$ 61,457,875</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, 2015

Total fund balances - Governmental Funds \$ 41,671,390

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 \$383,602,742 and the accumulated depreciation is \$133,217,690 (Note 4). 250,385,052

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, 2015 consisted of (Note 5):

General Obligation Bonds	\$ (195,681,497)	
Accreted Interest	(9,840,618)	
Certificates of Participation	(15,565,000)	
Capitalized lease obligations	(295,325)	
Energy retrofit loan	(45,034)	
PG&E Energy savings loan	(182,195)	
Net OPEB obligation (Note 6)	(27,250,283)	
Net pension liability (Notes 8 and 9)	(172,587,000)	
Compensated absences	<u>(1,315,184)</u>	(422,762,136)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt. 145,747

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	\$ 16,460,989	
Deferred inflows of resources relating to pensions	<u>(46,446,000)</u>	(29,985,011)

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. (4,771,591)

Total net position - governmental activities \$ (165,316,549)

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, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 118,058,571	\$ -	\$ -	\$ -	\$ 118,058,571
Local sources	<u>42,664,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,664,663</u>
Total LCFF	<u>160,723,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,723,234</u>
Federal sources	17,622,998	-	2,004,951	7,820,869	27,448,818
Other state sources	16,970,265	-	80,276	5,105,685	22,156,226
Other local sources	<u>19,055,218</u>	<u>105,962</u>	<u>9,968,234</u>	<u>4,109,090</u>	<u>33,238,504</u>
Total revenues	<u>214,371,715</u>	<u>105,962</u>	<u>12,053,461</u>	<u>17,035,644</u>	<u>243,566,782</u>
Expenditures:					
Current:					
Certificated salaries	113,526,605	-	-	2,706,720	116,233,325
Classified salaries	39,231,534	-	-	5,100,080	44,331,614
Employee benefits	31,154,285	-	-	1,676,350	32,830,635
Books and supplies	6,734,217	2,431,234	-	3,948,089	13,113,540
Contract services and operating expenditures	28,843,149	19,510	-	1,723,307	30,585,966
Other outgo	3,435,961	-	-	-	3,435,961
Capital outlay	708,719	2,638,839	-	1,201,114	4,548,672
Debt service:					
Principal retirement	331,569	-	279,603	27,464	638,636
Interest	<u>22,705</u>	<u>-</u>	<u>10,917,667</u>	<u>551,254</u>	<u>11,491,626</u>
Total expenditures	<u>223,988,744</u>	<u>5,089,583</u>	<u>11,197,270</u>	<u>16,934,378</u>	<u>257,209,975</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(9,617,029)</u>	<u>(4,983,621)</u>	<u>856,191</u>	<u>101,266</u>	<u>(13,643,193)</u>
Other financing sources (uses):					
Interfund transfers in	622,112	60,797	-	498,283	1,181,192
Interfund transfers out	<u>(559,080)</u>	<u>-</u>	<u>-</u>	<u>(622,112)</u>	<u>(1,181,192)</u>
Total other financing sources (uses)	<u>63,032</u>	<u>60,797</u>	<u>-</u>	<u>(123,829)</u>	<u>-</u>
Change in fund balances	(9,553,997)	(4,922,824)	856,191	(22,563)	(13,643,193)
Fund balances, July 1, 2014	<u>17,597,177</u>	<u>22,995,993</u>	<u>8,113,501</u>	<u>6,607,912</u>	<u>55,314,583</u>
Fund balances, June 30, 2015	<u>\$ 8,043,180</u>	<u>\$ 18,073,169</u>	<u>\$ 8,969,692</u>	<u>\$ 6,585,349</u>	<u>\$ 41,671,390</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, 2015

Net change in fund balances - Total Governmental Funds	\$ (13,643,193)
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).	4,548,674
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(7,819,182)
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.	(58,298)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	638,636
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).	(2,355,266)
In the governmental funds, net OPEB costs are recognized when employer contributions are made. In the statement of activities, net OPEB costs are recognized on the accrual basis (Note 5 and 6).	(6,166,735)
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.	(152,283)
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).	(715,350)
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>41,866</u>
Change in net position of governmental activities	<u>\$ (25,681,131)</u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	<u>Trust Scholar- ship Trust Fund</u>	<u>Agency Student Body Fund</u>
ASSETS		
Cash on hand and in banks (Note 2)	\$ <u>-</u>	\$ <u>323,327</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>323,327</u>
NET POSITION		
Restricted	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

HAYWARD UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Scholarship Trust <u>Fund</u>
Revenues:	
Local sources	\$ -
Expenditures:	
Operating expenditures	<u>1,370</u>
Change in net position	(1,370)
Net position, July 1, 2014	<u>1,370</u>
Net position, June 30, 2015	<u><u>\$ -</u></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. 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 and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

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

Building Fund:

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

Bond Interest and Redemption Fund:

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.

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, Cafeteria and Deferred Maintenance 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, County School Facilities, and Special Reserve for Capital Outlay Funds.

The Scholarship Trust Fund is a Trust Fund to account for assets held by the District as Trustee, to be used to provide financial assistance to students of the District.

The Student Body Fund is a Fiduciary Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

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

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables: Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

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 fair market 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 a future period(s), 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 reported, which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization of deferred losses on refunding totaled \$58,298 for the year ended June 30, 2015. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

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 a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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>\$ 10,092,193</u>	<u>\$ 6,368,796</u>	<u>\$ 16,460,989</u>
Deferred inflows of resources	<u>\$ 32,517,000</u>	<u>\$ 13,929,000</u>	<u>\$ 46,446,000</u>
Net pension liability	<u>\$ 132,051,000</u>	<u>\$ 40,536,000</u>	<u>\$ 172,587,000</u>
Pension expense	<u>\$ 13,337,469</u>	<u>\$ 4,130,370</u>	<u>\$ 17,467,839</u>

Compensated Absences: Compensated absences totaling \$1,315,184 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS 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 unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. 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".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2015, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2015, no such designation has occurred.

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.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, 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.

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 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 net position was restated by \$201,856,661 because of the recognition of the beginning of year net pension liability and deferred outflow of resources.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, which completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 43,157,912	\$ -
Local Agency Investment Fund	23,206	-
Deposits:		
Revolving cash fund	102,250	-
Cash on hand and in banks	197,216	323,327
Cash with Fiscal Agent	362,203	-
Total cash and investments	\$ 43,842,787	\$ 323,327

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2015, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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 fair value 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 fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held 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 are accessible and transferable to the master account within twenty-four hours 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, 2015, this fund was yielding approximately .28% 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 - Deposits: 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, 2015, the carrying amount of the District's accounts were \$622,793, and the bank balances were \$586,706, all of which was fully 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, 2015, 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, 2015, 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, 2015

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, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 981,785	\$ 277,215
Building Fund	121,594	60,797
Non-Major Funds:		
Adult Education	-	520,670
Child Development	216,639	460,000
Cafeteria	<u>-</u>	<u>1,336</u>
Totals	<u>\$ 1,320,018</u>	<u>\$ 1,320,018</u>

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund to cover expenditures in excess of revenue earned.	\$ 216,419
Transfer from the General Fund to the Cafeteria Fund to cover uncollectible student meal accounts.	281,864
Transfer from the General Fund to the Building Fund to provide funding for payment of Certificates of Participation.	60,797
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	76,051
Transfer from the Child Development Fund to the General Fund for indirect cost support.	156,532
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>389,529</u>
	<u>\$ 1,181,192</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Non-depreciable:				
Land	\$ 12,623,420	\$ -	\$ -	\$ 12,623,420
Work In Progress	-	60,623	-	60,623
Depreciable:				
Buildings	320,875,151	3,576,214	-	324,451,365
Site improvements	23,493,675	665,928	-	24,159,603
Equipment	<u>22,125,970</u>	<u>245,909</u>	<u>64,148</u>	<u>22,307,731</u>
Totals, at cost	<u>379,118,216</u>	<u>4,548,674</u>	<u>64,148</u>	<u>383,602,742</u>
Less accumulated depreciation:				
Buildings	(85,227,309)	(6,427,363)	-	(91,654,672)
Site improvements	(22,036,159)	(284,254)	-	(22,320,413)
Equipment	<u>(18,199,188)</u>	<u>(1,107,565)</u>	<u>(64,148)</u>	<u>(19,242,605)</u>
Total accumulated depreciation	<u>(125,462,656)</u>	<u>(7,819,182)</u>	<u>(64,148)</u>	<u>(133,217,690)</u>
Capital assets, net	<u>\$ 253,655,560</u>	<u>\$ (3,270,508)</u>	<u>\$ -</u>	<u>\$ 250,385,052</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 49,505
Instructional supervision and administration	775
School site administration	1,946
Food services	29,801
All other pupil services	339,283
All other general administration	22,420
Centralized data processing	56,458
Plant services	<u>7,318,994</u>
Total depreciation expense	<u>\$ 7,819,182</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On August 1, 2008, the District issued Election of 2008, Series 2008 General Obligation Bonds totaling \$100,000,000. The Bonds bear interest rates from 4.25% to 7.0% and are scheduled to mature through August 2033.

On July 1, 2010, the District issued Election of 2008, Series 2010A General Obligation Bonds totaling \$20,969,877. The Bonds were issued as capital appreciation Bonds, bear interest rates from 7.23% to 12.0%, and are scheduled to mature through August 2040.

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 2044.

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, 2014</u>	<u>Current Year Proceeds</u>	<u>Current Year, Maturities</u>	<u>Balance June 30, 2015</u>
2008	\$ 91,045,000	\$ -	\$ -	\$ 91,045,000
2010A	20,886,100	-	279,603	20,606,497
2010B	<u>84,030,000</u>	<u>-</u>	<u>-</u>	<u>84,030,000</u>
Total General Obligation Bonds	<u>\$195,961,100</u>	<u>\$ -</u>	<u>\$ 279,603</u>	<u>\$195,681,497</u>

Accreted Interest

<u>Series</u>	<u>Beginning</u>	<u>Accretion</u>	<u>Payments</u>	<u>Total</u>
2010A	<u>\$ 7,485,352</u>	<u>\$ 2,525,663</u>	<u>\$ 170,397</u>	<u>\$ 9,840,618</u>

The General Obligation Bonds are scheduled to mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 436,862	\$ 11,098,680	\$ 11,535,542
2017	563,523	9,042,351	9,605,874
2018	663,600	11,596,942	12,260,542
2019	740,696	11,904,847	12,645,543
2020	797,985	12,247,558	13,045,543
2021-2025	16,604,095	54,817,355	71,421,450
2026-2030	34,008,681	49,623,625	83,632,306
2031-2035	44,431,163	54,440,612	98,871,775
2036-2040	12,738,787	105,952,238	118,691,025
2041-2045	<u>84,696,105</u>	<u>18,537,695</u>	<u>103,233,800</u>
	<u>\$ 195,681,497</u>	<u>\$ 339,261,903</u>	<u>\$ 534,943,400</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs): On August 14, 2012, the District issued 2012 Refunding Certificates of Participation of \$15,565,000. The Refunding COPs bear interest at rates ranging from 3.0% to 4.1% and mature on August 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 2012 COPs are as follows:

<u>Year Ending June 30,</u>	<u>COPs Payments</u>
2016	\$ 1,236,254
2017	1,235,704
2018	1,234,554
2019	1,259,554
2020	1,257,804
2021-2025	6,308,113
2026-2030	6,366,963
2031-2032	<u>2,987,605</u>
Total payments	21,886,551
Less amount representing interest	<u>(6,321,551)</u>
Net present value of minimum payments	<u>\$ 15,565,000</u>

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 \$2,771,972 and accumulated depreciation of \$2,249,418 for assets acquired under capitalized lease obligations. The following is a schedule of future lease payments:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2016	\$ 140,560
2017	136,671
2018	<u>39,862</u>
Total payments	317,093
Less amount representing interest	<u>(21,768)</u>
Net minimum lease payments	<u>\$ 295,325</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Energy Retrofit Loan: The District entered into an energy retrofit loan with Johnson Control for the Tennyson High School in the amount of \$755,422. The following is a schedule of future payments on the remaining balance at June 30, 2015:

<u>Year Ending June 30,</u>	<u>Future Payments</u>
2016	\$ 45,034
2017	<u>690</u>
Total payments	45,724
Less amount representing interest	<u>(690)</u>
Net minimum lease payments	<u><u>\$ 45,034</u></u>

PG&E Energy Savings Loans: In 2012, the District entered into the Energy Efficiency Retrofit Loan Program with Pacific Gas and Electric ("PG&E") to upgrade certain lighting systems to newer, more versions. Under the terms of the agreement, the District received a series of unsecured, interest-free loans to finance the costs of upgrading the lighting systems. The following is a schedule of future payments on the remaining balance at June 30, 2015:

<u>Year Ending June 30,</u>	<u>Future Payments</u>
2016	\$ 105,859
2017	64,636
2018	<u>11,700</u>
Total payments	<u><u>\$ 182,195</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015 is shown below:

	<u>Balance July 1, 2014 as Restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 195,961,100	\$ -	\$ 279,603	\$ 195,681,497	\$ 436,862
Accreted interest	7,485,352	2,525,663	170,397	9,840,618	170,397
Certificates of Participation	15,565,000	-	-	15,565,000	685,000
Capitalized lease obligations	420,070	-	124,745	295,325	127,397
Energy retrofit loan	132,401	-	87,367	45,034	45,034
PG&E Energy savings loans	329,116	-	146,921	182,195	146,920
Net OPEB obligation (Note 6)	21,083,548	9,557,566	3,390,831	27,250,283	-
Compensated absences	1,357,050	-	41,866	1,315,184	-
Net pension liability (Notes 8 & 9)	<u>214,449,000</u>	<u>-</u>	<u>41,862,000</u>	<u>172,587,000</u>	<u>-</u>
	<u><u>\$ 456,782,637</u></u>	<u><u>\$ 12,083,229</u></u>	<u><u>\$ 46,103,730</u></u>	<u><u>\$ 422,762,136</u></u>	<u><u>\$ 1,611,610</u></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 and energy retrofit loan are made from the General Fund. Payments on the PG&E energy savings loans are made from the General and Adult Education Funds. Payments for compensated absences, net pension liability, and net OPEB obligation are made from the fund for which the related employees worked.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Annual required contribution	\$ 10,030,660
Interest on net OPEB obligation	948,760
Adjustment to annual required contribution	<u>(1,421,854)</u>
Annual OPEB cost (expense)	9,557,566
Contributions made	<u>3,390,831</u>
Increase in net OPEB obligation	6,166,735
Net OPEB obligation - beginning of year	<u>21,083,548</u>
Net OPEB obligation - end of year	<u><u>\$ 27,250,283</u></u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and preceding two years were as follows:

Fiscal Year Ended	Percentage of Annual Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 6,715,983	71.8%	\$ 17,646,180
June 30, 2014	\$ 6,815,358	49.6%	\$ 21,083,548
June 30, 2015	\$ 9,557,566	35.5%	\$ 27,250,283

As of June 30, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$63.1 million and the plan assets were zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$72.0 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$138.1 million, and the ratio of the UAAL to the covered payroll was 52.1 percent. The OPEB plan is currently operated as a pay-as-you-go plan. The Schedule of Funding Progress is included as Required Supplementary Information.

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

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

In the June 30, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent initially, reduced by decrements to an ultimate rate of percent after years. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 25 years.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues	\$ 3,922,360
Restricted for special revenues	4,610,432
Restricted for capital projects	24,631,270
Restricted for debt service	<u>8,113,501</u>
Total restricted net position	<u><u>\$ 41,277,563</u></u>

Fund balances, by category, at June 30, 2015 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 100,000	\$ -	\$ -	\$ 2,250	\$ 102,250
Prepaid expenditures	676,582	-	-	-	676,582
Stores inventory	<u>25,854</u>	<u>-</u>	<u>-</u>	<u>49,045</u>	<u>74,899</u>
Subtotal nonspendable	<u>802,436</u>	<u>-</u>	<u>-</u>	<u>51,295</u>	<u>853,731</u>
Restricted:					
Unspent categorical revenues	3,922,360	-	-	-	3,922,360
Adult education	-	-	-	6,615	6,615
Food services	-	-	-	3,930,925	3,930,925
Deferred maintenance	-	-	-	26,328	26,328
Capital projects	-	18,073,169	-	2,570,186	20,643,355
Debt service	<u>-</u>	<u>-</u>	<u>8,969,692</u>	<u>-</u>	<u>8,969,692</u>
Subtotal restricted	<u>3,922,360</u>	<u>18,073,169</u>	<u>8,969,692</u>	<u>6,534,054</u>	<u>37,499,275</u>
Unassigned:					
Designated for economic uncertainty	3,274,490	-	-	-	3,274,490
Undesignated	<u>43,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,894</u>
Subtotal unassigned	<u>3,318,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,318,384</u>
Total fund balances	<u><u>\$ 8,043,180</u></u>	<u><u>\$ 18,073,169</u></u>	<u><u>\$ 8,969,692</u></u>	<u><u>\$ 6,585,349</u></u>	<u><u>\$ 41,671,390</u></u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

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.

(Continued)

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

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 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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.

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

The CalSTRS member contribution rate increases effective for fiscal year 2014-15 and beyond are summarized in the table below:

Employers – 8.88 percent of applicable member earnings.

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 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, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$10,092,193 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. This portion of the state appropriation totaled \$527 million in fiscal year 2013-14.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 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 shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2015, 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	\$ 132,051,000
State’s proportionate share of the net pension liability associated with the District	<u>79,738,000</u>
Total	<u>\$ 211,789,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District’s proportion was 0.226 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

For the year ended June 30, 2015, the District recognized pension expense of \$13,337,469 and revenue of \$5,254,518 for support provided by the State. At June 30, 2015, 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	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	32,517,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>10,092,193</u>	<u>-</u>
Total	<u>\$ 10,092,193</u>	<u>\$ 32,517,000</u>

\$10,092,193 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, 2016. 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>	
2016	\$ 8,129,250
2017	\$ 8,129,250
2018	\$ 8,129,250
2019	\$ 8,129,250

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. 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, 2015

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-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%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

(Continued)

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

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

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

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District’s proportionate share of the net pension liability	<u>\$205,832,000</u>	<u>\$132,051,000</u>	<u>\$ 70,530,000</u>

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

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained on the Internet at <https://www.calpers.ca.gov/forms-publications/cafr-2014.pdf>

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$4,765,296 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$40,536,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District’s proportion was 0.357 percent, which was an increase of 0.014 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$4,130,370. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	13,929,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,603,500	-
Contributions made subsequent to measurement date	<u>4,765,296</u>	<u>-</u>
Total	<u>\$ 6,368,796</u>	<u>\$ 13,929,000</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

\$6,368,796 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, 2016. 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>		
2016		\$ 2,947,750
2017		\$ 2,947,750
2018		\$ 2,947,750
2019		\$ 3,482,250

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term* Assumed Asset Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District’s proportionate share of the net pension liability	<u>\$ 70,911,000</u>	<u>\$ 40,536,000</u>	<u>\$ 14,778,000</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 AGREEMENTS

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

The following is a summary of financial information for SIA at June 30, 2014 (the most current information available):

Total assets	\$ 113,740,483
Total liabilities	\$ 48,361,972
Total net position	\$ 65,378,511
Total revenues	\$ 41,969,923
Total expenses	\$ 39,001,607
Change in net position	\$ 2,968,316

Eden Area Regional Occupational Program (EAROP): The District is a member with other school districts of a Joint Powers Authority, Eden Area Regional Occupational Program (EAROP), to provide occupational education programs for youths and adults. The following is a summary of financial information for EAROP at June 30, 2014 (the most current information available):

Total assets	\$ 15,300,012
Total liabilities	\$ 1,016,258
Total net position	\$ 14,283,754
Total revenues	\$ 7,920,118
Total expenses	\$ 8,274,939
Change in net position	\$ (354,821)

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

(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.

NOTE 12 - SUBSEQUENT EVENTS

On July 23, 2015, the District issued General Obligation Bonds, Election of 2014, Series 2015 in the amount of \$95,000,000 for the acquisition and construction of school facilities projects. The Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are scheduled to mature at through August 2040.

On July 23, 2015, the District also issued 2015 General Obligation Refunding Bonds in the amount of \$113,185,000 for the purpose of refunding all or a portion of the outstanding Series 2008 and Series 2010A General Obligation Bonds. The Refunding Bonds accrue interest up to a maximum of 5.0% per annum from the date of issuance and are scheduled to mature at through August 2040.

REQUIRED SUPPLEMENTARY INFORMATION

HAYWARD UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 118,078,387	\$ 119,552,228	\$ 118,058,571	\$ (1,493,657)
Local sources	<u>83,187,933</u>	<u>43,229,657</u>	<u>42,664,663</u>	<u>(564,994)</u>
Total LCFF	<u>201,266,320</u>	<u>162,781,885</u>	<u>160,723,234</u>	<u>(2,058,651)</u>
Federal sources	18,737,555	22,436,790	17,622,998	(4,813,792)
Other state sources	9,822,216	11,787,948	16,970,265	5,182,317
Other local sources	<u>15,594,667</u>	<u>17,303,093</u>	<u>19,055,218</u>	<u>1,752,125</u>
Total revenues	<u>245,420,758</u>	<u>214,309,716</u>	<u>214,371,715</u>	<u>61,999</u>
Expenditures:				
Current:				
Certificated salaries	106,125,087	114,210,497	113,526,605	683,892
Classified salaries	36,989,117	39,507,167	39,231,534	275,633
Employee benefits	25,000,724	31,463,515	31,154,285	309,230
Books and supplies	7,942,145	12,399,675	6,734,217	5,665,458
Contract services and operating expenditures	28,975,712	32,027,561	28,843,149	3,184,412
Other outgo	3,436,539	3,435,961	3,435,961	-
Capital outlay	145,852	1,794,144	708,719	1,085,425
Debt service:				
Principal retirement	212,113	331,569	331,569	-
Interest	<u>22,705</u>	<u>22,705</u>	<u>22,705</u>	<u>-</u>
Total expenditures	<u>208,849,994</u>	<u>235,192,794</u>	<u>223,988,744</u>	<u>11,204,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,570,764</u>	<u>(20,883,078)</u>	<u>(9,617,029)</u>	<u>11,266,049</u>
Other financing sources (uses):				
Interfund transfers in	661,767	684,814	622,112	(62,702)
Interfund transfers out	<u>(330,000)</u>	<u>(342,660)</u>	<u>(559,080)</u>	<u>(216,420)</u>
Total other financing sources (uses)	<u>331,767</u>	<u>342,154</u>	<u>63,032</u>	<u>(279,122)</u>
Change in fund balance	36,902,531	(20,540,924)	(9,553,997)	10,986,927
Fund balance, July 1, 2014	<u>17,597,177</u>	<u>17,597,177</u>	<u>17,597,177</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 54,499,708</u>	<u>\$ (2,943,747)</u>	<u>\$ 8,043,180</u>	<u>\$ 10,986,927</u>

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2015

Schedule of Funding Progress

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

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.226%
District's proportionate share of the net pension liability	\$ 132,051,000
State's proportionate share of the net pension liability associated with the District	<u>79,738,000</u>
Total net pension liability	<u>\$ 211,789,000</u>
District's covered-employee payroll	\$ 100,648,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

All years prior to 2015 are not available.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.357%
District's proportionate share of the net pension liability	\$ 40,536,000
District's covered-employee payroll	\$ 37,484,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 10,092,193
Contributions in relation to the contractually required contribution	\$ 10,092,193
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 113,651,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 4,765,296
Contributions in relation to the contractually required contribution	\$ 4,765,296
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 40,483,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

D - Schedule of District Contributions

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

E - Changes of benefit terms

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

F - Changes of assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

HAYWARD UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total
ASSETS								
Cash in County Treasury	\$ 11,154	\$ 207,196	\$ 2,760,233	\$ 83,808	\$ 1,736,939	\$ 1,136	\$ 482,544	\$ 5,283,010
Cash on hand and in banks	8,967	1,588	-	-	7,713	-	-	18,268
Cash in revolving fund	-	-	2,250	-	-	-	-	2,250
Cash with fiscal agent	-	-	-	-	362,203	-	-	362,203
Receivables	608,669	115,044	1,264,014	-	1,180	-	371	1,989,278
Stores inventory	-	-	49,045	-	-	-	-	49,045
Due from other funds	-	216,639	-	-	-	-	-	216,639
Total assets	\$ 628,790	\$ 540,467	\$ 4,075,542	\$ 83,808	\$ 2,108,035	\$ 1,136	\$ 482,915	\$ 7,920,693

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	\$ 101,505	\$ 80,467	\$ 91,986	\$ 57,480	\$ 5,031	\$ -	\$ 16,869	\$ 353,338
Due to other funds	520,670	460,000	1,336	-	-	-	-	982,006
Total liabilities	622,175	540,467	93,322	57,480	5,031	-	16,869	1,335,344
Fund balances:								
Nonspendable	-	-	51,295	-	-	-	-	51,295
Restricted	6,615	-	3,930,925	26,328	2,103,004	1,136	466,046	6,534,054
Total fund balances	6,615	-	3,982,220	26,328	2,103,004	1,136	466,046	6,585,349
Total liabilities and fund balances	\$ 628,790	\$ 540,467	\$ 4,075,542	\$ 83,808	\$ 2,108,035	\$ 1,136	\$ 482,915	\$ 7,920,693

HAYWARD UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total
Revenues:								
Federal sources	\$ 1,270,100	\$ 434,950	\$ 6,115,819	\$ -	\$ -	\$ -	\$ -	\$ 7,820,869
Other state sources	1,769,220	2,745,011	498,643	92,811	-	-	-	5,105,685
Other local sources	<u>325,113</u>	<u>76,076</u>	<u>1,748,038</u>	<u>334</u>	<u>1,956,974</u>	<u>169</u>	<u>2,386</u>	<u>4,109,090</u>
Total revenues	<u>3,364,433</u>	<u>3,256,037</u>	<u>8,362,500</u>	<u>93,145</u>	<u>1,956,974</u>	<u>169</u>	<u>2,386</u>	<u>17,035,644</u>
Expenditures:								
Current:								
Certificated salaries	1,385,794	1,320,926	-	-	-	-	-	2,706,720
Classified salaries	809,299	914,856	3,375,925	-	-	-	-	5,100,080
Employee benefits	442,092	474,892	759,366	-	-	-	-	1,676,350
Books and supplies	51,545	45,617	3,833,822	17,105	-	-	-	3,948,089
Contract services and operating expenditures	650,043	562,546	146,286	208,630	155,802	-	-	1,723,307
Capital outlay	5,868	-	515,479	-	21,843	88,701	569,223	1,201,114
Debt service:								
Principal retirement	27,464	-	-	-	-	-	-	27,464
Interest	-	-	-	-	551,254	-	-	551,254
Total expenditures	<u>3,372,105</u>	<u>3,318,837</u>	<u>8,630,878</u>	<u>225,735</u>	<u>728,899</u>	<u>88,701</u>	<u>569,223</u>	<u>16,934,378</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(7,672)</u>	<u>(62,800)</u>	<u>(268,378)</u>	<u>(132,590)</u>	<u>1,228,075</u>	<u>(88,532)</u>	<u>(566,837)</u>	<u>101,266</u>
Other financing (uses) sources:								
Interfund transfers in	-	216,419	281,864	-	-	-	-	498,283
Interfund transfers out	<u>(76,051)</u>	<u>(156,532)</u>	<u>(389,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(622,112)</u>
Total other financing (uses) sources	<u>(76,051)</u>	<u>59,887</u>	<u>(107,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,829)</u>
Net change in fund balances	<u>(83,723)</u>	<u>(2,913)</u>	<u>(376,043)</u>	<u>(132,590)</u>	<u>1,228,075</u>	<u>(88,532)</u>	<u>(566,837)</u>	<u>(22,563)</u>
Fund balances, July 1, 2014	<u>90,338</u>	<u>2,913</u>	<u>4,358,263</u>	<u>158,918</u>	<u>874,929</u>	<u>89,668</u>	<u>1,032,883</u>	<u>6,607,912</u>
Fund balances, June 30, 2015	<u>\$ 6,615</u>	<u>\$ -</u>	<u>\$ 3,982,220</u>	<u>\$ 26,328</u>	<u>\$ 2,103,004</u>	<u>\$ 1,136</u>	<u>\$ 466,046</u>	<u>\$ 6,585,349</u>

HAYWARD UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Student Body Funds				
<u>Hayward High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>63,638</u>	\$ <u>257,329</u>	\$ <u>261,418</u>	\$ <u>59,549</u>
Liabilities:				
Due to student groups	\$ <u>63,638</u>	\$ <u>257,329</u>	\$ <u>261,418</u>	\$ <u>59,549</u>
<u>Mt. Eden High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>166,750</u>	\$ <u>340,528</u>	\$ <u>302,649</u>	\$ <u>204,629</u>
Liabilities:				
Due to student groups	\$ <u>166,750</u>	\$ <u>340,528</u>	\$ <u>302,649</u>	\$ <u>204,629</u>
<u>Tennyson High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>47,621</u>	\$ <u>155,361</u>	\$ <u>151,425</u>	\$ <u>51,557</u>
Liabilities:				
Due to student groups	\$ <u>47,621</u>	\$ <u>155,361</u>	\$ <u>151,425</u>	\$ <u>51,557</u>
<u>Southgate Elementary School</u>				
Assets:				
Cash on hand and in banks	\$ <u>6,205</u>	\$ <u>18,203</u>	\$ <u>16,816</u>	\$ <u>7,592</u>
Liabilities:				
Due to student groups	\$ <u>6,205</u>	\$ <u>18,203</u>	\$ <u>16,816</u>	\$ <u>7,592</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>284,214</u>	\$ <u>771,421</u>	\$ <u>732,308</u>	\$ <u>323,327</u>
Liabilities:				
Due to student groups	\$ <u>284,214</u>	\$ <u>771,421</u>	\$ <u>732,308</u>	\$ <u>323,327</u>

HAYWARD UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

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>
Mr. John Taylor	President	December 2016
Dr. Annette Walker	Vice President	December 2016
Ms. Lisa Brunner	Clerk	December 2018
Ms. William McGee	Member	December 2018
Dr. Luis Reynoso	Member	December 2016

ADMINISTRATION

Mr. Stanley Dobbs
Superintendent

Dr. Matt Wayne
Assistant Superintendent, Educational Services

Lisa Grant-Dawson*
Assistant Superintendent, Business Services

Lety Salinas
Assistant Superintendent, Human Resources

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

Ms. Mary Ann Valles
Executive Director, Chief Accountability Officer (LCAP)

* Effective July 1, 2015, Lisa Grant-Dawson was replaced by Ms. Dawn Riccoboni as Assistant Superintendent, Business Services.

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015

	Original Second Period Report	Revised Second Period Report*	Annual Report
Elementary:			
Transitional Kindergarten through Third	6,989	7,118	7,117
Fourth through Sixth	4,958	5,038	5,030
Seventh through Eighth	3,018	3,060	3,060
Extended Day Special Education	37	37	50
Non Public Schools	<u>4</u>	<u>4</u>	<u>4</u>
Total Elementary	<u>15,006</u>	<u>15,257</u>	<u>15,261</u>
Secondary:			
Regular Classes	4,686	4,759	4,740
Extended Day Special Education	51	51	51
Continuation Education	165	166	169
Non Public Schools	<u>5</u>	<u>5</u>	<u>5</u>
Total Secondary	<u>4,907</u>	<u>4,981</u>	<u>4,965</u>
	<u>19,913</u>	<u>20,238</u>	<u>20,226</u>

* Includes District adjustments and the correction related to Finding 2015-001.

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2015

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2014-2015 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>					
Kindergarten	36,000	35,000	36,000	180	In Compliance
Grade 1	50,400	49,000	54,150	180	In Compliance
Grade 2	50,400	49,000	54,150	180	In Compliance
Grade 3	50,400	49,000	54,150	180	In Compliance
Grade 4	54,000	52,500	54,720	180	In Compliance
Grade 5	54,000	52,500	54,720	180	In Compliance
Grade 6	54,000	52,500	54,720	180	In Compliance
Grade 7	54,000	52,500	61,912	180	In Compliance
Grade 8	54,000	52,500	61,912	180	In Compliance
Grade 9	64,800	63,000	64,917	180	In Compliance
Grade 10	64,800	63,000	64,917	180	In Compliance
Grade 11	64,800	63,000	64,917	180	In Compliance
Grade 12	64,800	63,000	64,917	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, 2015

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 Education IDEA: Basic and Local Assistance	13379	\$ 3,073,838
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611	10119	10,057
84.173	Special Education IDEA: Preschool Grants	13430	130,531
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	232,237
84.027	Special Education IDEA: Preschool Local Entitlement	13682	<u>232,965</u>
	Subtotal Special Education Cluster		<u>3,679,628</u>
	Adult Education Programs:		
84.002A	Adult Education: English Literacy	14109	191,390
84.002	Adult Education: Adult Secondary Education	13978	141,842
84.002A	Adult Education: Adult Basic Education	14508	<u>397,964</u>
	Subtotal Adult Education Programs		<u>731,196</u>
	NCLB: Title III Programs:		
84.365	NCLB: Title III, Immigrant Education Program	15146	87,548
84.365	NCLB: Title III, Limited English Proficient Student Program	14346	<u>675,933</u>
	Subtotal NCLB: Title III Programs		<u>763,481</u>
84.010	NCLB: Title I, Basic Grants Low Income and Neglected	14329	4,542,122
84.011	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	14838	310,912
84.048	Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	14893	171,277
84.181	Special Ed: IDEA Early Intervention Grants	24314	114,086
84.215N	Promise Neighborhood Grant	N/A	1,770,303
84.287	NCLB: Title IV, 21st Century Community Learning Centers Program	14681	5,225,248
84.366	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CaMSP)	14512	3,942
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	<u>702,729</u>
	Total U.S. Department of Education		<u>18,014,924</u>

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<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	\$ 5,472,894
10.559	Child Nutrition: Summer Food Service Program	13004	<u>430,653</u>
	Subtotal Child Nutrition Cluster		<u>5,903,547</u>
	Child Nutrition: CCFP Claims		
10.558	Child Nutrition: Child Care Food Program Claims Centers and Family	13393	201,126
10.558	Child Nutrition: CCFP Cash in Lieu of Commodities	13389	<u>17,146</u>
	Subtotal Child Nutrition: CCFP Claims		<u>218,272</u>
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	<u>90,884</u>
	Total U.S. Department of Agriculture		<u>6,212,703</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
17.259	WIA Youth Formula Grant	10171	445,500
17.259	WIA One Stop Career Development	10055	<u>93,404</u>
	Total U.S. Department of Labor		<u>538,904</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Development: Fed Child Care	13609	434,950
93.778	Dept. Health Services: Medi-Cal Billing	10013	<u>130,466</u>
	Total U.S. Department of Health and Human Services		<u>565,416</u>
<u>U.S. Corporation for National and Community Service - Passed through California Department of Education</u>			
94.006	Connect Kids to Coverage	-	<u>124,068</u>
	Total Federal Programs		<u>\$ 25,456,015</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, 2015

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, 2015
(UNAUDITED)

	(Budget) 2016	2015	2014	2013
<u>General Fund</u>				
Revenues and other financing sources	<u>\$ 241,302,792</u>	<u>\$ 201,928,088</u>	<u>\$ 194,721,820</u>	<u>\$ 186,686,734</u>
Expenditures	232,518,125	208,849,992	198,366,494	187,094,247
Other uses and transfers out	<u>-</u>	<u>330,000</u>	<u>547,304</u>	<u>165,662</u>
Total outgo	<u>232,518,125</u>	<u>209,179,992</u>	<u>198,913,798</u>	<u>187,259,909</u>
Change in fund balance	<u>\$ 8,784,667</u>	<u>\$ (7,251,904)</u>	<u>\$ (4,191,978)</u>	<u>\$ (573,175)</u>
Ending fund balance	<u>\$ 19,129,940</u>	<u>\$ 10,345,273</u>	<u>\$ 17,597,177</u>	<u>\$ 21,789,155</u>
Available reserves	<u>\$ 6,355,911</u>	<u>\$ 2,680,092</u>	<u>\$ 7,564,967</u>	<u>\$ 15,968,875</u>
Designated for economic uncertainties	<u>\$ 6,952,132</u>	<u>\$ 2,680,092</u>	<u>\$ 5,929,557</u>	<u>\$ 5,603,006</u>
Undesignated fund balance	<u>\$ (596,221)</u>	<u>\$ -</u>	<u>\$ 1,635,410</u>	<u>\$ 10,365,869</u>
Available reserves as percentages of total outgo	<u>2.73%</u>	<u>1.28%</u>	<u>3.80%</u>	<u>8.50%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 421,150,526</u>	<u>\$ 422,762,136</u>	<u>\$ 456,782,637</u>	<u>\$ 237,244,745</u>
Average daily attendance at P-2, excluding Adult and ROP	<u>20,071</u>	<u>19,895</u>	<u>19,895</u>	<u>19,784</u>

The General Fund fund balance has experienced a net decrease of \$12,017,057 over the past three years. The fiscal year 2014-2015 budget projects a decrease of \$8,784,667. 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, 2015.

The District has incurred operating deficits in each of the past three years and anticipates an operating deficit for the 2015-2016 fiscal year.

Total long-term liabilities have increased by \$185,517,391 over the past two years, due primarily to the implementation of GASB Statement Nos. 68 and 71.

Average daily attendance has increased by 111 over the past two years. The District anticipates an increase of 176 ADA for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Leadership Public School - Hayward	Separate Report
Impact Academy of Arts & Technology	Separate Report
Golden Oak Montessori	Separate Report

See accompanying notes to supplementary information.

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2015

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. 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

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

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, 2015.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 27,448,818
Less:		
Federal interest reimbursement on Build America Bonds	N/A	(2,004,951)
Medi-Cal Billing Options funds unspent	93.778	<u>12,148</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 25,456,015</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.

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 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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, 2015, the District did not adopt this program.

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

Board of Trustees
 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* to the state laws and regulations listed below for the year ended June 30, 2015.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	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
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
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 does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

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

The District does not have 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 expend any California Clean Energy Jobs Act funds in the current year, therefore, we did not perform any procedures related to the California Clean Energy Jobs Act funds.

The District does not have any Charter Schools; 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 compliance with state laws and regulations as listed above, of Hayward Unified School District. 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 State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Hayward Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2015-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Hayward Unified School District did not comply with the requirements regarding Attendance Reporting. Compliance with such requirements is necessary, in our opinion, for Hayward Unified School District to comply with state laws and regulations applicable to Attendance Reporting.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, Hayward Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Hayward Unified School District had not complied with the state laws and regulations.

Other Matter

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 9, 2015

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 Trustees
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, 2015, 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 9, 2015.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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



Crowe Horwath LLP

Sacramento, California
December 9, 2015

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

Board of Trustees
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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

(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 OMB Circular A-133, 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 9, 2015

FINDINGS AND RECOMMENDATIONS

HAYWARD UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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 No

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes 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 Circular A-133, Section .510(a)? Yes No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 763,680

Auditee qualified as low-risk auditee? Yes No

STATE AWARDS

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

(Continued)

HAYWARD UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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, 2015

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, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-001 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support attendance reported to the State.

Condition

At Strobridge Elementary School 1 student was improperly included for a total misstatement of 1 days.

Effect

The effect of this finding is an extrapolated overstatement of 1.17 ADA.

Cause

The overstatement was the result of clerical errors in accounting for attendance

Fiscal Impact

The fiscal impact of the overstatement of ADA is \$8,468.

Recommendation

The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.

Corrective Action Plan

The District has revised and resubmitted the Period Two Report of Attendance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

HAYWARD UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

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