

**CASTRO VALLEY
UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2015**

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2015

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2015

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro Valley Unified School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Castro Valley Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.J. to the basic financial statements, the District has changed its method for accounting and reporting for pensions during fiscal year 2014-15 due to the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27" and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68". The adoption of these standards required retrospective application resulting in a \$75,903,080 reduction of previously reported net position at July 1, 2014. 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 3 through 10, budgetary comparison information on pages 50 and 51, schedule of funding progress on page 52, schedule of proportionate share of the net pension liability on page 53, and schedule of contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 57 through 62 and the schedule of expenditures of federal awards on page 63 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 56 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
November 30, 2015

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2015

This discussion and analysis of Castro Valley Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$2.0 million, or 16.6% due to deficit spending.
- Governmental expenses were about \$120.3 million. Revenues were about \$118.3 million.
- The District acquired over \$1.2 million in new capital assets during the year. These expenditures were incurred primarily for field/playground renovations and a roofing project at the high school.
- The District decreased its outstanding long-term debt by \$20.2 million. This was primarily due to a decrease in the District proportionate share of the CalSTRS and CalPERS pension liabilities.
- Grades K-12 average daily attendance (ADA) decreased by one.

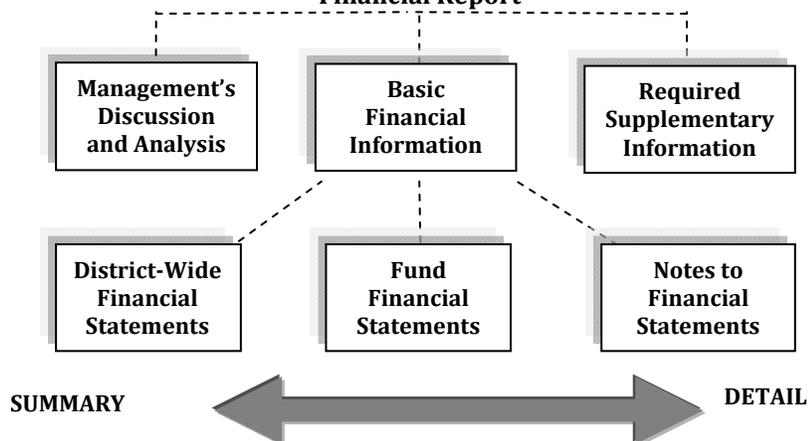
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2015, than it was the year before – decreasing 16.6% to \$(14.0) million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	2015	2014*	
Current assets	\$ 27,778,342	\$ 29,468,908	\$ (1,690,566)
Capital assets	123,084,196	125,186,275	(2,102,079)
Total assets	150,862,538	154,655,183	(3,792,645)
Total deferred outflows	5,115,555	4,587,763	527,792
Current liabilities	5,721,621	4,865,312	856,309
Long-term liabilities	146,196,389	166,356,244	(20,159,855)
Total liabilities	151,918,010	171,221,556	(19,303,546)
Total deferred inflows	18,030,778	-	18,030,778
Net position			
Net investment in capital assets	46,809,849	44,037,048	2,772,801
Restricted	13,174,953	16,827,633	(3,652,680)
Unrestricted	(73,955,497)	(72,843,291)	(1,112,206)
Total net position	\$ (13,970,695)	\$ (11,978,610)	\$ (1,992,085)

*As restated

Changes in net position, governmental activities. The District's total revenues increased 6.4% to \$118.3 million (See Table A-2). The increase is due primarily to increased operating grant revenues.

The total cost of all programs and services increased 8.4% to \$120.3 million. The District's expenses are predominantly related to educating and caring for students, 62.7%. The purely administrative activities of the District accounted for just 4.8% of total costs. A significant contributor to the increase in costs was due to increases which are passed through for special education services.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2015	2014	
Total Revenues	\$ 118,318,966	\$ 111,163,372	\$ 7,155,594
Total Expenses	120,311,051	111,016,186	9,294,865
Increase (decrease) in net position	\$ (1,992,085)	\$ 147,186	\$ (2,139,271)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$24.0 million, which is below last year's ending fund balance of \$26.0 million. The primary cause of the decreased fund balance is due to capital facilities spending from the District's building fund.

General Fund Budgetary Highlights

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

- Revenues – increased by \$7.8 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$5.8 million due to negotiated increases and revisions to staffing needs.
- Other non-personnel expenses – increased \$2.0 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$3.6 million, the actual results for the year show that revenues fell short of expenditures by roughly \$0.1 million. Actual revenues were \$2.0 million less than anticipated, and expenditures were \$5.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2015 that will be carried over into the 2015-16 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested \$1.2 million in new capital assets, related to field/playground renovations and a roofing project at the high school. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$3.3 million.

Table A-3: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2015	2014	
Land	\$ 23,256,124	\$ 23,256,124	\$ -
Improvement of sites	18,292,182	18,629,986	(337,804)
Buildings	80,676,841	82,510,064	(1,833,223)
Equipment	767,219	790,101	(22,882)
Construction in progress	91,830	-	91,830
Total	\$ 123,084,196	\$ 125,186,275	\$ (2,102,079)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$146.2 million in general obligation bonds, certificates of participation, and employment benefits – a decrease of 12.1% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	2015	2014*	Increase (Decrease)
General obligation bonds	\$ 73,022,399	\$ 76,448,598	\$ (3,426,199)
Certificates of participation	5,680,000	5,925,000	(245,000)
Net pension liability	63,946,296	80,490,844	(16,544,548)
Other postemployment benefits	2,830,751	2,703,699	127,052
Compensated absences	716,943	788,103	(71,160)
Total	\$ 146,196,389	\$ 166,356,244	\$ (20,159,855)

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

Overview

On June 16, 2015, the Governor, the Senate President pro Tempore, and the Speaker of the Assembly announced a budget agreement. The Legislature passed the budget bill and related legislation on Friday, June 19. The budget agreement relies on the administration's May 2015 estimates of (1) General Fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. With savings resulting from (1) rejection of various administration proposals, (2) an error in the administration's Medi-Cal estimates, (3) legislative changes made to the Middle-Class Scholarship Program, and (4) other legislative actions, the agreement makes modest augmentations outside of Proposition 98 above May Revision levels.

2015-16 to End With \$4.6 Billion in Estimated Total Reserves

The budget agreement assumes \$115 billion in revenues, a 3.3 percent increase over 2014-15. (This total is net of the \$1.9 billion deposit in the Proposition 2 Budget Stabilization Account [BSA].) The state's "big three" General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are estimated to increase at a slightly higher rate (4 percent). General Fund revenue growth was much higher in 2014-15, increasing at a very healthy 7.7 percent rate. General Fund spending is largely flat across 2014-15 and 2015-16, increasing at only 0.8 percent. Growth in ongoing programmatic spending, however, is masked by various one-time actions, including one-time spending in 2014-15 on debt payments and mandate backlog claims, and the end of the "triple flip" mechanism used to finance the state's prior deficit financing bonds. The budget ends 2015-16 with \$4.6 billion in estimated total reserves, including \$1.1 billion in the Special Fund for Economic Uncertainties—the state's traditional budget reserve—and \$3.5 billion in the BSA.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98

Substantial Upward Revisions to Estimates of Proposition 98 Minimum Guarantee

State budgeting for preschool, elementary and secondary schools, and the California Community Colleges (CCC) is based primarily on Proposition 98, approved by voters in 1988. Proposition 98 established a minimum funding requirement commonly called the minimum guarantee. The estimate of the 2013-14 and 2014-15 minimum guarantees have increased \$612 million and \$5.4 billion, respectively from the June 2014 estimates. The estimate of the 2015-16 minimum guarantee is \$7.6 billion (12 percent) higher than the *2014-15 Budget Act* level. These increases in the guarantee are due primarily to state revenues being higher than assumed in last year's budget package. The budget package funds at these latest estimates of the minimum guarantees.

Large Upward 2014-15 Adjustments Result in Relatively Modest Year-Over-Year Growth

Growth from the revised 2014-15 level to 2015-16 is \$2.1 billion (3 percent). This relatively modest growth is due to the large upward revision to 2014-15 noted above. In 2015-16, total Proposition 98 funding is \$68.4 billion. Of this amount, \$49.4 billion is General Fund and \$19 billion is local property tax revenue. The notable increase in local property tax revenue from 2014-15 to 2015-16 (\$2.3 billion, 14 percent) is due in large part to the end of the triple flip and the shift of associated local property tax revenue back from cities, counties, and special districts to school and community college districts. Growth in local property tax revenue is slightly greater than growth in the Proposition 98 minimum guarantee, resulting in a slight reduction in Proposition 98 General Fund from 2014-15 to 2015-16.

Per-Student Funding Increases Significantly

Under the budget package, K-12 per-student funding increases from the *2014-15 Budget Act* level of \$8,931 to \$9,942 in 2015-16—an increase of \$1,011 (11 percent).

Budget Package Contains Many Spending Changes

For 2013-14, the budget accounts for higher Local Control Funding Formula (LCFF) costs and uses the remaining funding increase for paying down the K-14 mandate backlog. In addition to these changes, the budget package includes a \$256 million settle-up payment related to meeting the Proposition 98 minimum guarantee for 2006-07 and 2009-10 and \$207 million in unspent prior-year Proposition 98 funds that have been repurposed.

Package Notably Reduces Outstanding K-14 Obligations

The budget package includes the following K-14 actions, all of which reduce the state's outstanding K-14 obligations.

- ***Pays Down Mandate Backlog.*** The budget package includes \$3.8 billion to pay down the K-14 mandate backlog (\$3.2 billion is for the K-12 backlog and \$632 million for the CCC backlog). After accounting for these payments, the LAO estimates the outstanding K-14 mandate backlog to be \$1.5 billion (\$1.2 billion for schools and about \$300 million for community colleges).
- ***Retires All K-14 Payment Deferrals.*** As required by trailer legislation enacted last year, the budget package provides \$992 million to eliminate all remaining K-14 payment deferrals. The budget year will be the first fiscal year since 2000-01 that the state is set to make all K-14 payments on time.
- ***Pays Off Emergency Repair Program (ERP) Obligation.*** The budget includes \$273 million for the final ERP payment. Statute requires the state to provide a total of \$800 million to school districts for emergency facility repairs, and the state has provided \$527 million to date. (Of the \$273 million, \$145 million comes from a settle-up payment and \$128 million comes from unspent prior-year Proposition 98 funds.)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education

Large Increase for Local Control Funding Formula (LCFF)

The largest single augmentation in the state budget is \$6.0 billion for implementing the LCFF for school districts and charter schools—bringing total LCFF funding to \$52 billion. This reflects a 13 percent year-over-year increase in LCFF funding. The administration estimates this funding will close 52 percent of the remaining gap to LCFF target rates. The budget funds 90 percent of the estimated statewide full LCFF implementation cost. School districts and charter schools may use LCFF monies for any educational purpose, including implementation of their Local Control and Accountability Plans.

New Secondary School Career Technical Education (CTE) Competitive Grant Program

The budget package includes \$900 million in one-time funding for a three-year competitive grant program to promote high-quality CTE. Of this amount, \$400 million is provided in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18. School districts, county offices of education (COEs), charter schools, and Regional Occupational Centers and Programs operated by joint powers agencies (JPAs) may apply for grants, individually or in consortia. The program provides separate pools of funding for large, medium-sized, and small applicants, based on applicants' average daily attendance (ADA) in grades 7-12. Specifically, 88 percent of the funding is reserved for applicants with ADA greater than 550, 8 percent is reserved for applicants with ADA between 140 and 550, and 4 percent is reserved for applicants with less than 140 ADA. The Superintendent of Public Instruction (SPI), in collaboration with the executive director of the State Governing Board (SBE), will determine the number of grants to be awarded and specific grant amounts.

Package of Special Education Actions

The budget includes \$67 million for a package of special education-related activities. Of the \$67 million, \$52 million is ongoing and \$15 million is one time. The largest ongoing augmentation in this package is for expanding services for infants, toddlers, and preschoolers with disabilities as well as requiring preschool staff training and parent education relating to identifying and meeting preschoolers' special needs. The largest one-time augmentation is for one or two COEs to develop statewide resources and training opportunities for addressing students' diverse instructional and behavioral needs.

Second Round of Internet Infrastructure Grants

The budget includes \$50 million in one-time funding for the second round of Broadband Internet Infrastructure Grants. The K-12 High Speed Network is to award grants to schools that cannot administer online tests or can only administer the tests by shutting down other essential online activities such as email. Grants may be used to purchase Internet infrastructure. The Department of Finance (DOF) must approve projects resulting in costs exceeding \$1,000 per test-taking pupil.

All of these factors were considered in preparing the Castro Valley Unified School District budget for the 2015-16 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2015*

	Total Governmental Activities
ASSETS	
Cash	\$ 22,517,148
Investments	236,562
Accounts receivable	4,887,711
Inventories	78,577
Prepaid expenses	58,344
Non-depreciable assets	23,347,954
Depreciable assets	176,349,649
Less accumulated depreciation	<u>(76,613,407)</u>
Total assets	<u>150,862,538</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	<u>5,115,555</u>
LIABILITIES	
Accounts payable	5,639,555
Unearned revenue	82,066
Long-term liabilities:	
Due or payable within one year	3,873,773
Due or payable after one year	<u>142,322,616</u>
Total liabilities	<u>151,918,010</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	521,466
Net differences between projected and actual earnings on plan investments	16,965,809
Adjustment due to difference in proportions	<u>543,503</u>
Total deferred inflows of resources	<u>18,030,778</u>
NET POSITION	
Net investment in capital assets	46,809,849
Restricted for:	
Capital projects	5,245,158
Debt service	4,548,696
Categorical programs	3,381,099
Unrestricted	<u>(73,955,497)</u>
Total net position	<u>\$ (13,970,695)</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instructional Services:				
Instruction	\$ 54,714,539	\$ 2,883	\$ 11,485,166	\$ (43,226,490)
Instruction-Related Services:				
Supervision of instruction	3,998,412	247	1,273,450	(2,724,715)
Instructional library, media and technology	718,519	93	13,252	(705,174)
School site administration	6,935,180	179	185,703	(6,749,298)
Pupil Support Services:				
Home-to-school transportation	1,133,743	1	567,275	(566,467)
Food services	2,758,538	993,406	1,011,406	(753,726)
All other pupil services	5,126,812	339	2,389,998	(2,736,475)
General Administration Services:				
Data processing services	667,354	-	-	(667,354)
Other general administration	5,071,191	56,283	991,695	(4,023,213)
Plant services	6,844,602	4,347	591,494	(6,248,761)
Ancillary services	769,237	1,350	30,817	(737,070)
Community services	287,477	144	4,001	(283,332)
Transfers between agencies	27,356,171	-	-	(27,356,171)
Other outgo	3,929,276	174,824	23,548,611	19,794,159
Total Governmental Activities	\$ 120,311,051	\$ 1,234,096	\$ 42,092,868	(76,984,087)

General Revenues:

Property taxes	22,260,138
Federal and state aid not restricted to specific purpose	50,018,729
Interest and investment earnings	54,149
Interagency revenues	446,229
Miscellaneous	2,212,757
Total general revenues	74,992,002
Change in net position	(1,992,085)
Net position - July 1, 2014, as originally stated	65,074,332
Adjustments for restatements	(77,052,942)
Net position - July 1, 2014, as restated	(11,978,610)
Net position - June 30, 2015	\$ (13,970,695)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Special Education Pass-Through Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 8,595,983	\$ -	\$ 7,296,372	\$ 4,547,342	\$ 2,076,838	\$ 22,516,535
Investments	236,562	-	-	-	-	236,562
Accounts receivable	3,726,456	944,475	4,501	1,354	210,925	4,887,711
Due from other funds	1,372,848	-	-	-	2,415,212	3,788,060
Inventories	26,226	-	-	-	52,351	78,577
Prepaid expenditures	58,344	-	-	-	-	58,344
Total Assets	<u>\$ 14,016,419</u>	<u>\$ 944,475</u>	<u>\$ 7,300,873</u>	<u>\$ 4,548,696</u>	<u>\$ 4,755,326</u>	<u>\$ 31,565,789</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 2,557,246	\$ 944,475	\$ -	\$ -	\$ 170,292	\$ 3,672,013
Due to other funds	697,711	-	2,250,000	-	859,992	3,807,703
Unearned revenue	82,066	-	-	-	-	82,066
Total Liabilities	<u>3,337,023</u>	<u>944,475</u>	<u>2,250,000</u>	<u>-</u>	<u>1,030,284</u>	<u>7,561,782</u>
Fund Balances						
Nonspendable	184,320	-	-	-	57,351	241,671
Restricted	3,268,844	-	5,050,873	4,548,696	2,943,449	15,811,862
Assigned	4,812,352	-	-	-	724,242	5,536,594
Unassigned	2,413,880	-	-	-	-	2,413,880
Total Fund Balances	<u>10,679,396</u>	<u>-</u>	<u>5,050,873</u>	<u>4,548,696</u>	<u>3,725,042</u>	<u>24,004,007</u>
Total Liabilities and Fund Balances	<u>\$ 14,016,419</u>	<u>\$ 944,475</u>	<u>\$ 7,300,873</u>	<u>\$ 4,548,696</u>	<u>\$ 4,755,326</u>	<u>\$ 31,565,789</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2015

Total fund balances - governmental funds \$ 24,004,007

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 \$199,697,603, and the accumulated depreciation is (\$76,613,407).

123,084,196

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

(2,830,751)

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

(1,967,542)

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

(521,466)

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

Deferred outflows of resources	5,115,555	
Deferred inflows of resources	<u>(17,509,312)</u>	(12,393,757)

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

General obligation bonds payable	73,022,399	
Net pension liability	63,946,296	
Compensated absences payable	716,943	
Certificates of participation payable	<u>5,680,000</u>	(143,365,638)

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

20,256

Total net position - governmental activities \$ (13,970,695)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2015

	General Fund	Special Education Pass-Through Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 62,343,812	\$ -	\$ -	\$ -	\$ 1,967,500	\$ 64,311,312
Federal sources	2,502,028	2,300,626	-	-	1,227,763	6,030,417
Other state sources	11,544,900	23,992,866	-	67,906	301,669	35,907,341
Other local sources	3,235,788	-	24,969	5,777,710	2,497,343	11,535,810
Total Revenues	79,626,528	26,293,492	24,969	5,845,616	5,994,275	117,784,880
EXPENDITURES						
Current:						
Instruction	49,528,026	-	-	-	2,206,062	51,734,088
Instruction-related services:						
Supervision of instruction	3,620,867	-	-	-	177,369	3,798,236
Instructional library, media and technology	705,262	-	-	-	-	705,262
School site administration	5,690,451	-	-	-	918,079	6,608,530
Pupil support services:						
Home-to-school transportation	1,066,095	-	-	-	-	1,066,095
Food services	18,397	-	-	-	2,650,829	2,669,226
All other pupil services	4,877,220	-	-	-	-	4,877,220
Ancillary services	728,026	-	-	-	-	728,026
Community services	278,316	-	-	-	-	278,316
General administration services:						
Data processing services	670,679	-	-	-	-	670,679
Other general administration	4,901,614	26,293,492	-	-	5,533	31,200,639
Plant services	6,291,884	-	-	-	416,657	6,708,541
Transfers of indirect costs	(362,666)	-	-	-	362,666	-
Capital outlay	114,227	-	-	-	1,002,768	1,116,995
Intergovernmental transfers	1,062,679	-	-	-	-	1,062,679
Debt service:						
Principal	245,000	-	-	2,890,000	-	3,135,000
Interest	261,924	-	-	3,133,143	-	3,395,067
Issuance costs	-	-	-	374,050	-	374,050
Total Expenditures	79,698,001	26,293,492	-	6,397,193	7,739,963	120,128,649
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71,473)	-	24,969	(551,577)	(1,745,688)	(2,343,769)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	-	3,001,185	3,001,185
Interfund transfers out	(751,185)	-	(2,250,000)	-	-	(3,001,185)
Proceeds from refunding bonds	-	-	-	38,140,000	-	38,140,000
Premium on refunding bonds	-	-	-	5,340,854	-	5,340,854
Transfer to escrow agent for defeased debt	-	-	-	(43,101,315)	-	(43,101,315)
Total Other Financing Sources and Uses	(751,185)	-	(2,250,000)	379,539	3,001,185	379,539
Net Change in Fund Balances	(822,658)	-	(2,225,031)	(172,038)	1,255,497	(1,964,230)
Fund Balances, July 1, 2014, as originally stated	12,651,916	-	7,275,904	4,720,734	2,469,545	27,118,099
Adjustments for restatement	(1,149,862)	-	-	-	-	(1,149,862)
Fund Balances, July 1, 2014, as restated	11,502,054	-	7,275,904	4,720,734	2,469,545	25,968,237
Fund Balances, June 30, 2015	\$ 10,679,396	\$ -	\$ 5,050,873	\$ 4,548,696	\$ 3,725,042	\$ 24,004,007

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Total net change in fund balances - governmental funds \$ (1,964,230)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	1,242,842	
Depreciation expense	(3,344,921)	
Net:	(2,102,079)	

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Expenditures for repayment of the principal portion of long-term liabilities were: 46,140,000

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (127,052)

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (43,480,854)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (554,432)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the refunded debt. Amortization of the premium for the period is: 1,012,053

Deferred amounts on refunding represent amounts paid to an escrow agent for outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is: (521,466)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (436,973)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave paid exceeded the amounts earned by: 71,160

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net decrease in the internal service fund was: (28,212)

Change in net position of governmental activities \$ (1,992,085)

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2015

	Governmental Activities
	Internal Service Fund
	<hr/>
ASSETS	
Cash	\$ 613
Due from other funds	<hr/> 558,513
LIABILITIES	
Due to other funds	<hr/> 538,870
NET POSITION	
Restricted for insurance claims	<hr/> <hr/> \$ 20,256

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015*

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Charges to other funds	\$ 558,513
Other revenues	<u>299,745</u>
Total operating revenues	858,258
OPERATING EXPENSES	
Services and other operating expenditures	<u>886,470</u>
Operating Income (Loss)	(28,212)
Net position, July 1, 2014	<u>48,468</u>
Net position, June 30, 2015	<u><u>\$ 20,256</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Statement of Cash Flows – Proprietary Fund**For the Fiscal Year Ended June 30, 2015*

	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 656,822
Cash received from other local sources	303,882
Cash payments for payroll, insurance and operating costs	<u>(783,600)</u>
Net cash provided by operating activities	177,104
Cash, July 1, 2014	<u>(176,491)</u>
Cash, June 30, 2015	<u><u>\$ 613</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (28,212)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivables and amounts due from other funds	102,446
Increase in accounts payable and current liabilities	<u>102,870</u>
Net cash provided by operating activities	<u><u>\$ 177,104</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2015

	Agency Funds
	<u>Student Body Funds</u>
Assets	
Cash	\$ 345,851
Total Assets	<u><u>\$ 345,851</u></u>
Liabilities	
Due to student groups	\$ 345,851
Total Liabilities	<u><u>\$ 345,851</u></u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements

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

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

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

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

3. Revenues - Exchange and Non-Exchange Transactions

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

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

C. Budgetary Data

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

3. Capital Assets

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

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The item is to recognize contributions made to the pension plan after the measurement date of the net pension liability.

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

6. Compensated Absences

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

7. Pensions

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances

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

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

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

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

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

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

9. Net Position

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Net Position (continued)

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

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

F. Minimum Fund Balance Policy

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

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

G. Property Tax Calendar

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

H. Use of Estimates

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

I. Self-Insurance Internal Service Fund

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements

During the 2014-15 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (Issued 06/12)

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement 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.

Cost-Sharing Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

2. Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 (Issued 11/13)

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New GASB Pronouncements (continued)

2. Statement No. 71 (continued)

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net position liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 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. Statement 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 Statement 68.

3. Cumulative Effect of Change in Accounting Principle

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards was to decrease the net position at July 1, 2013, by \$75,903,080, which is the amount of net pension liability, net of the deferred outflows of resources related to pensions at July 1, 2014.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2015, are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Internal Service Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 21,033,533	\$ 613	\$ 21,034,146	\$ -
Total Pooled Funds	<u>21,033,533</u>	<u>613</u>	<u>21,034,146</u>	<u>-</u>
Deposits:				
Cash on hand and in banks	340	-	340	345,851
Cash in revolving fund	104,750	-	104,750	-
Cash collections awaiting deposit	<u>1,377,912</u>	<u>-</u>	<u>1,377,912</u>	<u>-</u>
Total Deposits	<u>1,483,002</u>	<u>-</u>	<u>1,483,002</u>	<u>345,851</u>
Total Cash	<u>\$ 22,516,535</u>	<u>\$ 613</u>	<u>\$ 22,517,148</u>	<u>\$ 345,851</u>
Investments:				
Local Agency Investment Fund	<u>\$ 236,562</u>	<u>\$ -</u>	<u>\$ 236,562</u>	

Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2015, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Pooled Investments

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015, consisted of the following:

	General Fund	Special Education Pass- Through Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:						
Categorical aid programs	\$ 1,704,787	\$ 403,752	\$ -	\$ -	\$ 132,691	\$ 2,241,230
State Government:						
Lottery	931,755	-	-	-	-	931,755
Special education	-	540,723	-	-	-	540,723
Other state programs	875,322	-	-	-	64,420	939,742
Local:						
Interest	7,893	-	4,501	1,354	1,137	14,885
Other local	206,699	-	-	-	12,677	219,376
Total	<u>\$ 3,726,456</u>	<u>\$ 944,475</u>	<u>\$ 4,501</u>	<u>\$ 1,354</u>	<u>\$ 210,925</u>	<u>\$ 4,887,711</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2015, consisted of the following:

	Due From Other Funds				Total
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	
General Fund	\$ -	\$ 165,212	\$ 165,212	\$ 532,499	\$ 697,711
County School Facilities Fund	-	2,250,000	2,250,000	-	2,250,000
Non-Major Governmental Funds	833,978	-	833,978	26,014	859,992
Self-Insurance Fund	538,870	-	538,870	-	538,870
Total	\$ 1,372,848	\$ 2,415,212	\$ 3,788,060	\$ 558,513	\$ 4,346,573

General Fund due to Self-Insurance Fund for retiree health premium costs	\$ 532,499
General Fund due to Adult Education Fund for transfer of LCFF apportionment	163,958
General Fund due to Capital Facilities Fund for the over accrual of developer fees	1,072
General Fund due to Cafeteria Fund for pooled interest	182
Adult Education Fund due to Self-Insurance Fund for retiree health premium costs	15,294
Adult Education Fund due to General Fund for payroll liability, indirect costs, and other reimbursable expenditures	648,691
Child Development Fund due to Self-Insurance Fund for retiree health premium costs	2,047
Child Development Fund due to General Fund for deficit operations costs	25,000
Cafeteria Fund due to Self-Insurance Fund for retiree health premium costs	8,673
Cafeteria Fund due to General Fund for negative cash balance, payroll liability, and indirect costs	154,754
Capital Facilities Fund due to General Fund for developer fees	5,533
County Schools Facilities Fund due to Building Fund for covering of expenses and operation costs	2,250,000
Self-Insurance Fund due to General Fund for negative cash balances and payments to retirees	538,870
Total	\$ 4,346,573

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2015, consisted of the following:

General Fund transfer to Adult Education Fund for training costs and operating costs	\$ 51,185
General Fund transfer to Cafeteria Fund for deficit operation costs	700,000
County School Facilities Fund transfer to Building Fund for covering of expenses and operation costs	2,250,000
Total	\$ 3,001,185

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2015

NOTE 5 – FUND BALANCES

At June 30, 2015, fund balances of the District’s governmental funds were classified as follows:

	General Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 99,750	\$ -	\$ -	\$ 5,000	\$ 104,750
Stores inventories	26,226	-	-	52,351	78,577
Prepaid expenditures	58,344	-	-	-	58,344
Total Nonspendable	<u>184,320</u>	<u>-</u>	<u>-</u>	<u>57,351</u>	<u>241,671</u>
Restricted:					
Categorical programs	3,268,844	-	-	112,255	3,381,099
Capital projects	-	5,050,873	-	2,831,194	7,882,067
Debt service	-	-	4,548,696	-	4,548,696
Total Restricted	<u>3,268,844</u>	<u>5,050,873</u>	<u>4,548,696</u>	<u>2,943,449</u>	<u>15,811,862</u>
Assigned:					
Solar inverter replacement	279,398	-	-	-	279,398
Curriculum carryover	205,416	-	-	-	205,416
Site carryover	218,479	-	-	-	218,479
MAA carryover	43,009	-	-	-	43,009
CFA carryover	6,598	-	-	-	6,598
ACA contingency	300,000	-	-	-	300,000
Instructional materials adoption	1,700,000	-	-	-	1,700,000
Computer/copier replacement	500,000	-	-	-	500,000
Cafeteria furniture replacement	195,000	-	-	-	195,000
Health & safety equipment replacement	42,861	-	-	-	42,861
Board/Superintendent priorities	1,308,104	-	-	-	1,308,104
Postemployment benefits	13,487	-	-	-	13,487
Adult education program	-	-	-	724,242	724,242
Total Assigned	<u>4,812,352</u>	<u>-</u>	<u>-</u>	<u>724,242</u>	<u>5,536,594</u>
Unassigned:					
Reserve for economic uncertainties	2,413,880	-	-	-	2,413,880
Total Unassigned	<u>2,413,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,413,880</u>
Total	<u>\$ 10,679,396</u>	<u>\$ 5,050,873</u>	<u>\$ 4,548,696</u>	<u>\$ 3,725,042</u>	<u>\$ 24,004,007</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance, July 1, 2014	Additions	Retirements	Balance, June 30, 2015
Capital assets not being depreciated:				
Land	\$ 23,256,124	\$ -	\$ -	\$ 23,256,124
Construction in progress	-	91,830	-	91,830
Total capital assets not being depreciated	<u>23,256,124</u>	<u>91,830</u>	<u>-</u>	<u>23,347,954</u>
Capital assets being depreciated:				
Improvement of sites	41,656,841	623,935	-	42,280,776
Buildings	129,926,639	401,230	-	130,327,869
Equipment	3,615,157	125,847	-	3,741,004
Total capital assets being depreciated	<u>175,198,637</u>	<u>1,151,012</u>	<u>-</u>	<u>176,349,649</u>
Accumulated depreciation for:				
Improvement of sites	(23,026,855)	(961,739)	-	(23,988,594)
Buildings	(47,416,575)	(2,234,453)	-	(49,651,028)
Equipment	(2,825,056)	(148,729)	-	(2,973,785)
Total accumulated depreciation	<u>(73,268,486)</u>	<u>(3,344,921)</u>	<u>-</u>	<u>(76,613,407)</u>
Total capital assets being depreciated, net	<u>101,930,151</u>	<u>(2,193,909)</u>	<u>-</u>	<u>99,736,242</u>
Governmental activity capital assets, net	<u>\$ 125,186,275</u>	<u>\$ (2,102,079)</u>	<u>\$ -</u>	<u>\$ 123,084,196</u>

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

Governmental Activities:

Instruction	\$ 1,986,527
Supervision of instruction	138,593
Instructional library, media, and technology	14,476
School site administration	269,102
Home-to-school transportation	73,275
Food services	104,433
All other pupil services	196,301
Ancillary services	32,170
Community services	10,682
All other general administration	223,119
Data processing services	4,919
Plant services	<u>291,324</u>
Total depreciation	<u>\$ 3,344,921</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Balance, July 1, 2014*	Additions	Deductions	Balance, June 30, 2015	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 73,140,000	\$ 38,140,000	\$ 45,895,000	\$ 65,385,000	\$ 3,245,000
Unamortized premium	3,308,598	5,340,854	1,012,053	7,637,399	358,773
Total - Bonds	<u>76,448,598</u>	<u>43,480,854</u>	<u>46,907,053</u>	<u>73,022,399</u>	<u>3,603,773</u>
Certificates of Participation	5,925,000	-	245,000	5,680,000	270,000
Net Pension Liability	80,490,844	-	16,544,548	63,946,296	-
Other Postemployment Benefits	2,703,699	127,052	-	2,830,751	-
Compensated Absences	788,103	-	71,160	716,943	-
Totals	<u>\$ 166,356,244</u>	<u>\$ 43,607,906</u>	<u>\$ 63,767,761</u>	<u>\$ 146,196,389</u>	<u>\$ 3,873,773</u>

*Beginning balance has been restated for the net pension liability in accordance with GASB No. 68.

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

A. General Obligation Bonds

Election of 1998

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

Election of 2005

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

2006 General Obligation Refunding Bonds

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

2012 General Obligation Refunding Bonds

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2015

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2015 General Obligation Refunding Bonds

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2015, of (\$521,466) remain to be amortized. As of June 30, 2015, the principal balance outstanding on the defeased debt was fully repaid.

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

The outstanding general obligation bonds issued by the District as of June 30, 2015, are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2014	Additions	Deductions	Balance, June 30, 2015
2005	8/2/2005	8/1/2030	3.55%-6.0%	\$ 6,955,000	\$ 5,495,000	\$ -	\$ 5,495,000	\$ -
2006	4/19/2006	8/1/2035	3.75%-6.25%	24,000,000	20,950,000	-	20,950,000	-
2006R	11/21/2006	8/1/2037	4.0%-4.2%	18,565,000	14,155,000	-	855,000	13,300,000
2007	8/1/2007	8/1/2038	4.0%-12.0%	20,000,000	17,825,000	-	17,825,000	-
2012R	2/14/2012	8/1/3032	2.5%-5.0%	15,790,000	14,715,000	-	770,000	13,945,000
2015R	2/19/2015	8/1/2037	2.0%-5.0%	38,140,000	-	38,140,000	-	38,140,000
					<u>\$ 73,140,000</u>	<u>\$ 38,140,000</u>	<u>\$ 45,895,000</u>	<u>\$ 65,385,000</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 3,245,000	\$ 2,621,801	\$ 5,866,801
2016-2017	2,965,000	2,599,784	5,564,784
2017-2018	3,080,000	2,485,034	5,565,034
2018-2019	3,195,000	2,359,534	5,554,534
2019-2020	3,325,000	2,222,283	5,547,283
2020-2025	18,840,000	8,868,478	27,708,478
2025-2030	16,780,000	4,766,429	21,546,429
2030-2035	10,130,000	1,941,675	12,071,675
2035-2038	3,825,000	174,300	3,999,300
Totals	<u>\$ 65,385,000</u>	<u>\$ 28,039,318</u>	<u>\$ 93,424,318</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation

On September 8, 2011 the District issued \$6,340,000 Certificates of Participation pursuant to a lease agreement with the Castro Valley Financing Corporation for the purposes of financing a portion of the costs of construction and installation of solar energy generating facilities at certain public schools within the District, and to pay issuance costs. The certificates were issued as follows: Serial Certificates of \$6,340,000 with stated interest rates of 3.0%, maturing between September 1, 2012 and 2016, Term Certificates of \$1,370,000 and \$3,310,000 with a stated interest rates of 4.375% and 5.0%, and are due September 1, 2026, and September 1, 2032, respectively. As of June 30, 2015, the principal balance outstanding was \$5,680,000.

The annual requirements to amortize all certificates are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2016	\$ 270,000	\$ 252,363	\$ 522,363
2016-2017	295,000	243,888	538,888
2017-2018	40,000	238,862	278,862
2018-2019	60,000	237,362	297,362
2019-2020	85,000	235,188	320,188
2020-2025	955,000	1,093,122	2,048,122
2025-2030	2,040,000	759,953	2,799,953
2030-2033	<u>1,935,000</u>	<u>152,125</u>	<u>2,087,125</u>
Totals	<u>\$ 5,680,000</u>	<u>\$ 3,212,863</u>	<u>\$ 8,892,863</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 8 – JOINT VENTURES

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

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Condensed current financial information is shown below. For those JPA's not displayed below, current financial information is generally available from the respective entities.

	Northern California ReLiEF	ACSIG	EBSIG	SAFER
Assets	\$ 65,717,062	\$ 31,906,924	\$ 2,319,159	\$ 9,564,714
Liabilities	59,524,485	30,649,692	1,893,317	8,036,799
Net Position	<u>\$ 6,192,577</u>	<u>\$ 1,257,232</u>	<u>\$ 425,842</u>	<u>\$ 1,527,915</u>
Revenues	\$ 17,174,787	\$ 136,200,959	\$ 4,391,945	\$ 50,706,606
Expenses	36,589,715	134,946,771	3,896,230	49,759,564
Net Operating Income (Loss)	(19,414,928)	1,254,188	495,715	947,042
Non-Operating Income	570,695	195,714	5,974	55,665
Change in Net Position	<u>\$ (18,844,233)</u>	<u>\$ 1,449,902</u>	<u>\$ 501,689</u>	<u>\$ 1,002,707</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2015.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with School Association for Excess Risks (SAFER), Northern California Regional Excess Liability fund (ReLiEF), and East Bay Schools Insurance Group (EBSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, the District participated in the Alameda County School Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

Employee Medical Benefits

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS

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

A. General Information about the Pension Plans

Plan Descriptions

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

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

Benefits Provided

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

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

Contributions

Active CalSTRS plan members were required to contribute 8.15% of their salary in 2014-15. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2014-15 was 11.771%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Employer contributions	\$ 5,838,436	\$ 1,420,727
Employee contributions paid by employer	\$ -	\$ -

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 51,424,560
CalPERS	12,521,736
Total Net Pension Liability	<u>\$ 63,946,296</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

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

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013, and 2014, was as follows:

	CalSTRS*	CalPERS
Proportion - June 30, 2013	0.0880%	0.1141%
Proportion - June 30, 2014	0.0880%	0.1103%
Change - Increase (Decrease)	0.0000%	-0.0038%

* The District's proportionate share percentage was not separately determined for June 30, 2013, so the June 30, 2014 percentage was used to calculate the beginning amounts.

For the year ended June 30, 2015, the District recognized pension expense of \$6,450,842. 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
Pension contributions subsequent to measurement date	\$ 5,115,555	\$ -
Adjustment due to differences in proportions	-	(543,503)
Net differences between projected and actual earnings on plan investments	-	(16,965,809)
	<u>\$ 5,115,555</u>	<u>\$ (17,509,312)</u>

The total amount of \$5,115,555 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (3,744,168)
2017	\$ (3,744,168)
2018	\$ (3,744,168)
2019	\$ -
2020	\$ -
Thereafter	\$ -

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.50%
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Post-retirement Benefit Increase	2.00%	-
Investment Rate of Return	7.60%	7.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

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.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability was 7.50% for CalPERS. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

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

Discount Rate – for CalPERS (continued)

According to Paragraph 30 of Statement 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 this accounting 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. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

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

Discount Rate – for CalPERS (continued)

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	47%	4.5%	5.7%
Global Fixed Income	N/A	19%	N/A	2.4%
Inflation Sensitive	5%	6%	3.2%	3.4%
Private Equity	12%	12%	6.2%	7.0%
Real Estate	15%	11%	4.4%	5.1%
Infrastructure and Forestland	N/A	3%	N/A	5.1%
Fixed Income	20%	N/A	0.2%	N/A
Liquidity	1%	2%	0.0%	-1.1%
	<u>100%</u>	<u>100%</u>		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 80,157,440	\$ 21,965,983
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 51,424,560	\$ 12,521,736
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 27,466,560	\$ 4,630,115

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

C. Payable to the Pension Plans

At June 30, 2015, the District reported a payable of \$697,744 and \$216,536 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2015.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits *	156
Active plan members *	26
Total	<u>182</u>

* As of July 1, 2014, actuarial valuation

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

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

Certificated Retirees:

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

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

Classified Retirees:

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

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

Management Retirees:

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 1,407,975
Interest on net OPEB obligation	121,667
Adjustment to ARC	<u>(711,430)</u>
Annual OPEB cost	818,212
Contributions made	<u>(691,160)</u>
Increase in net OPEB obligation	127,052
Net OPEB obligation - July 1, 2014	<u>2,703,699</u>
Net OPEB obligation - June 30, 2015	<u>\$ 2,830,751</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2014-15 and the three preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2013	\$ 1,924,807	68%	\$ 2,937,319
2014	\$ 852,838	127%	\$ 2,703,699
2015	\$ 818,212	85%	\$ 2,830,751

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$5.2 million and the unfunded actuarial accrued liability (UAAL) was \$5.2 million.

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

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected unit credit
Amortization Method	Level percentage of pay, closed period
Remaining Amortization Period	24 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4.5%
Healthcare cost trend rates:	
Dental	4%
Medical / Rx	5%-7%

NOTE 13 – ADJUSTMENTS FOR RESTATEMENTS

The beginning net position of the Statement of Activities was restated by (\$77,052,942). The restatement is the combination of an error identified in the calculation of SELPA awards during 2013-14 in the amount of (\$1,149,862) and an additional (\$75,903,080) due to the implementation of GASB No. 68.

Additionally, the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund was restated by (\$1,149,862) due to the error identified in the calculation of SELPA awards during 2013-14.

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Required Supplementary Information

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF Sources	\$ 61,835,896	\$ 66,738,053	\$ 62,343,812	\$ (4,394,241)
Federal	2,308,100	2,875,037	2,502,028	(373,009)
Other State	8,335,770	9,014,175	11,544,900	2,530,725
Other Local	1,318,321	2,987,602	3,235,788	248,186
Total Revenues	73,798,087	81,614,867	79,626,528	(1,988,339)
Expenditures				
Current:				
Certificated Salaries	39,143,308	43,267,881	40,531,226	2,736,655
Classified Salaries	11,383,057	13,540,605	13,053,762	486,843
Employee Benefits	11,708,029	11,223,487	12,047,280	(823,793)
Books and Supplies	3,899,828	6,011,953	3,829,929	2,182,024
Services and Other Operating Expenditures	7,809,618	9,316,043	8,513,654	802,389
Capital Outlay	50,000	156,534	152,547	3,987
Intergovernmental	809,649	1,197,263	1,062,679	134,584
Debt Service	505,088	505,088	506,924	(1,836)
Total Expenditures	75,308,577	85,218,854	79,698,001	5,520,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,510,490)	(3,603,987)	(71,473)	7,509,192
Other Financing Sources and Uses				
Interfund Transfers Out	(53,348)	(788,002)	(764,672)	23,330
Total Other Financing Sources and Uses	(53,348)	(788,002)	(764,672)	23,330
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)				
Net Change in Fund Balance	(1,563,838)	(4,391,989)	(836,145)	7,532,522
Fund Balances, July 1, 2014**	12,651,917	11,502,054	11,502,054	-
Fund Balances, June 30, 2015	\$ 11,088,079	\$ 7,110,065	\$ 10,665,909	\$ 7,532,522

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

**As restated

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Budgetary Comparison Schedule – Special Education Pass-Through Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal	\$ 8,042,321	\$ 8,391,752	\$ 2,300,626	\$ (6,091,126)
Other State	19,922,529	20,418,683	23,992,866	3,574,183
Total Revenues	<u>27,964,850</u>	<u>28,810,435</u>	<u>26,293,492</u>	<u>(2,516,943)</u>
Expenditures				
Other Outgo	<u>27,964,850</u>	<u>28,371,847</u>	<u>26,293,492</u>	<u>2,078,355</u>
Total Expenditures	<u>27,964,850</u>	<u>28,371,847</u>	<u>26,293,492</u>	<u>2,078,355</u>
Net Change in Fund Balance	-	438,588	-	(438,588)
Fund Balances, July 1, 2014	-	-	-	-
Fund Balances, June 30, 2015	<u>\$ -</u>	<u>\$ 438,588</u>	<u>\$ -</u>	<u>\$ (438,588)</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	\$ 14,291,249	\$ 14,291,249	0.0%	\$ 50,900,949	28%
July 1, 2013	\$ -	\$ 6,148,416	\$ 6,148,416	0.0%	\$ 50,157,858	12%
July 1, 2014	\$ -	\$ 5,234,145	\$ 5,234,145	0.0%	\$ 52,665,751	10%

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years*

	<u>2014</u>
District's proportion of the net pension liability (asset):	
CalSTRS	0.1103%
CalPERS	0.0880%
District's proportionate share of the net pension liability (asset):	
CalSTRS	\$ 64,456,011
CalPERS	\$ 9,990,143
District's covered-employee payroll:	
CalSTRS	\$ 39,809,224
CalPERS	\$ 11,603,985
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	
CalSTRS	161.9%
CalPERS	86.1%
Plan fiduciary net position as a percentage of the total pension liability:	
CalSTRS	76.5%
CalPERS	83.4%

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Contributions
For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years*

	<u>2014</u>
Actuarially determined contribution:	
CalSTRS	\$ 3,284,261
CalPERS	\$ 1,327,728
Contributions in relation to the actuarially determined contribution:	
CalSTRS	\$ 3,284,261
CalPERS	<u>\$ 1,327,728</u>
Contribution deficiency (excess):	
CalSTRS	<u>\$ -</u>
CalPERS	<u>\$ -</u>
District's covered-employee payroll:	
CalSTRS	\$ 39,809,224
CalPERS	\$ 11,603,985
Contributions as a percentage of covered-employee payroll:	
CalSTRS	8.25%
CalPERS	11.442%

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

Schedule of Proportionate Share of the Net Pension Liability

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

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

Schedule of Contributions

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

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2015, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Employee Benefits	\$ 823,793
Debt Service	1,836

Supplementary Information

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2015

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

GOVERNING BOARD		
<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
John Barbieri	President	November, 2016
Jo A.S. Loss	Vice President	November, 2016
Charmaine Banther	Member	November, 2016
Gary C. Howard	Member	November, 2018
Dot Theodore	Member	November, 2018

DISTRICT ADMINISTRATORS

Jim Negri, ¹
Superintendent

Dr. Candi Clark,
Assistant Superintendent, Business Services

Mary Boyle,
Assistant Superintendent, Education Services

Dr. Sherri Beetz,
Assistant Superintendent, Human Resources

¹ Mr. Negri retired as of June 30, 2015. On July 1, 2015, Parvin Ahmadi became the Superintendent.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	\$ 1,259,650	\$ 3,261	\$ 161,066	\$ 194,905	\$ 263,791	\$ 194,165	\$ 2,076,838
Accounts receivable	120,268	23,786	66,490	145	116	120	210,925
Due from other funds	163,958	-	182	2,250,000	1,072	-	2,415,212
Inventories	-	-	52,351	-	-	-	52,351
Total Assets	\$ 1,543,876	\$ 27,047	\$ 280,089	\$ 2,445,050	\$ 264,979	\$ 194,285	\$ 4,755,326
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 68,061	\$ -	\$ 34,644	\$ 16,998	\$ 50,589	\$ -	\$ 170,292
Due to other funds	663,985	27,047	163,427	-	5,533	-	859,992
Total Liabilities	732,046	27,047	198,071	16,998	56,122	-	1,030,284
Fund Balances							
Nonspendable	5,000	-	52,351	-	-	-	57,351
Restricted	82,588	-	29,667	2,428,052	208,857	194,285	2,943,449
Assigned	724,242	-	-	-	-	-	724,242
Total Fund Balances	811,830	-	82,018	2,428,052	208,857	194,285	3,725,042
Total Liabilities and Fund Balances	\$ 1,543,876	\$ 27,047	\$ 280,089	\$ 2,445,050	\$ 264,979	\$ 194,285	\$ 4,755,326

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2015*

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES							
LCFF Sources	\$ 1,967,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,967,500
Federal sources	237,303	-	990,460	-	-	-	1,227,763
Other state sources	105,284	129,426	66,959	-	-	-	301,669
Other local sources	1,256,221	-	1,053,034	2,508	184,915	665	2,497,343
Total Revenues	3,566,308	129,426	2,110,453	2,508	184,915	665	5,994,275
EXPENDITURES							
Current:							
Instruction	2,085,067	120,995	-	-	-	-	2,206,062
Supervision of instruction	177,369	-	-	-	-	-	177,369
School site administration	917,837	242	-	-	-	-	918,079
Pupil Support Services:							
Food services	-	-	2,650,829	-	-	-	2,650,829
General Administration Services:							
Other general administration	-	-	-	-	5,533	-	5,533
Plant services	296,613	-	-	107,026	13,018	-	416,657
Transfers of indirect costs	212,258	8,189	142,219	-	-	-	362,666
Capital outlay	2,786	-	-	932,367	67,615	-	1,002,768
Total Expenditures	3,691,930	129,426	2,793,048	1,039,393	86,166	-	7,739,963
Excess (Deficiency) of Revenues Over (Under) Expenditures	(125,622)	-	(682,595)	(1,036,885)	98,749	665	(1,745,688)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	51,185	-	700,000	2,250,000	-	-	3,001,185
Net Change in Fund Balances	(74,437)	-	17,405	1,213,115	98,749	665	1,255,497
Fund Balances, July 1, 2014	886,267	-	64,613	1,214,937	110,108	193,620	2,469,545
Fund Balances, June 30, 2015	\$ 811,830	\$ -	\$ 82,018	\$ 2,428,052	\$ 208,857	\$ 194,285	\$ 3,725,042

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2015

	Second Period Report	Annual Report
	Certificate No. (A9EEE062)	Certificate No. (43B7E68E)
Regular ADA & Extended Year:		
Transitional Kindergarten through Third	2,596.48	2,603.30
Fourth through Sixth	2,062.37	2,059.20
Seventh through Eighth	1,386.94	1,382.80
Ninth through Twelfth	2,999.46	2,968.81
	<hr/>	<hr/>
Total Regular ADA & Extended Year	9,045.25	9,014.11
	<hr/>	<hr/>
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	2.83	3.13
Fourth through Sixth	3.12	3.32
Seventh through Eighth	3.91	4.20
Ninth through Twelfth	8.36	8.54
	<hr/>	<hr/>
Total Special Education, Nonpublic, Nonsectarian Schools	18.22	19.19
	<hr/>	<hr/>
Total ADA	9,063.47	9,033.30
	<hr/> <hr/>	<hr/> <hr/>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2015*

Grade Level	Requirement		2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	37,590	179	Complied
Grade 1	50,400	49,000	52,780	179	Complied
Grade 2	50,400	49,000	52,780	179	Complied
Grade 3	50,400	49,000	52,780	179	Complied
Grade 4	54,000	52,500	54,875	179	Complied
Grade 5	54,000	52,500	54,875	179	Complied
Grade 6	54,000	52,500	57,773	179	Complied
Grade 7	54,000	52,500	57,773	179	Complied
Grade 8	54,000	52,500	57,773	179	Complied
Grade 9	64,800	63,000	64,453	179	Complied
Grade 10	64,800	63,000	64,453	179	Complied
Grade 11	64,800	63,000	64,453	179	Complied
Grade 12	64,800	63,000	64,453	179	Complied

* Amounts reduced as permitted by Education Code Section 46201.2(a).

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2015

General Fund	(Budget) 2016 ³	2015 ⁴	2014 ⁵	2013
Revenues and other financing sources	\$ 89,012,155	\$ 79,626,528	\$ 75,528,799	\$ 69,846,365
Expenditures	86,778,326	79,698,001	77,522,451	73,066,563
Other uses and transfers out	500,000	764,672	65,110	41,941
Total outgo	87,278,326	80,462,673	77,587,561	73,108,504
Change in fund balance (deficit)	1,733,829	(836,145)	(2,058,762)	(3,262,139)
Ending fund balance	\$ 12,399,738	\$ 10,665,909	\$ 11,502,054	\$ 13,560,816
Available reserves ¹	\$ 2,618,350	\$ 2,413,880	\$ 5,870,039	\$ 8,612,402
Available reserves as a percentage of total outgo	3.0%	3.0%	7.6%	11.8%
Total long-term debt	\$ 142,322,616	\$ 146,196,389	\$ 166,356,244	\$ 89,363,169
Average daily attendance at P-2 ²	9,062	9,063	9,064	8,892

The General Fund balance has decreased by approximately \$2.9 million over the past two years. The fiscal year 2015-16 adopted budget projects a increase of approximately \$1.7 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in each of the past three years, but anticipates incurring an operating surplus during the 2015-16 fiscal year. Long-term debt has increased by over \$56.8 million over the past two years.

Average daily attendance has increased by 171 over the past two years. A decrease of one ADA is anticipated during fiscal year 2015-16.

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

² Excludes Adult Education ADA.

³ Revised Budget September, 2015.

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

⁵ As restated.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 134,547	
School Breakfast Program - Basic	10.553	13390	17,869	
National School Lunch Program	10.555	13523	698,936	
USDA Donated Foods	10.555	N/A	<u>139,108</u>	
Subtotal Child Nutrition Cluster				\$ 990,460
Total U.S. Department of Agriculture				<u>990,460</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster:				
Adult Basic Education & ESL	84.002A	14508	82,124	
Adult Secondary Education	84.002	13978	123,770	
English Literacy & Civics Education Local Grant	84.002A	14109	<u>31,409</u>	
Subtotal Adult Basic Education Cluster				237,303
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		613,583
Title II, Part A, Teacher Quality Local	84.367	14341		91,913
English Language Acquisition Cluster:				
Title III, Limited English Proficiency	84.365	14346	60,973	
Title III, Immigrant Education Program	84.365	15146	<u>8,969</u>	
Subtotal English Language Acquisition Cluster				69,942
Career and Technical Education Cluster				
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	36,707	
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	<u>56,714</u>	
Subtotal Career and Technical Education Cluster				93,421
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	2,415,428	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	756,831	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	54,991	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	322,235	
Preschool Local Entitlement, Part B	84.173A	13682	228,578	
Preschool Staff Development	84.173A	13431	<u>2,282</u>	
Subtotal Special Education (IDEA) Cluster				3,780,345
Early Intervention Grants, Part C	84.181	23761		87,585
Workability II, Transition	84.158	10006		<u>55,534</u>
Total U.S. Department of Education				<u>5,029,626</u>
Total Expenditures of Federal Awards				<u>\$ 6,020,086</u>

CASTRO VALLEY UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the required level as reduced by Education Code Section 46201.2(a).

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients

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

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Local Assistance Entitlement	84.027	\$ 1,167,154
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	266,324
Preschool Local Entitlement, Part B	84.173A	126,697
Mental Health Allocation Plan, Part B, Sec 611	84.027	652,866
Early Intervention Grants, Part C	84.181	87,585
		<u>\$ 2,300,626</u>

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Other Independent Auditors' Reports

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

Governing Board
Castro Valley Unified School District
Castro Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro Valley Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Castro Valley Unified School District's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castro Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-1.

Castro Valley Unified School District's Response to Finding

Castro Valley Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Castro Valley Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, slightly slanted style.

Murrieta, California
November 30, 2015

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on State Compliance

We have audited Castro Valley Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Castro Valley Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Castro Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to below. 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 *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 types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Castro Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
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
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Castro Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-1.

District's Response to Finding

Castro Valley Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Castro Valley Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro+Nigro, PC

Murrieta, California
November 30, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Castro Valley Unified School District
Castro Valley, California

Report on Compliance for Each Major Federal Program

We have audited Castro Valley Unified School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Castro Valley Unified School District's major federal programs for the year ended June 30, 2015. Castro Valley Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Castro Valley Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Castro Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Castro Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Castro Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Castro Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the District's internal control over compliance.

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

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

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



Murrieta, California
November 30, 2015

Findings and Questioned Costs

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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Summary of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.027 & 84.173</u> <u>Special Education Cluster (IDEA)</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2014-15.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2014-15.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2015-1: School Accountability Report Card (72000)

Criteria: The information on the School Accountability Report Card (SARC) should be reported consistent with the Facility Inspection Tool for that school, as required by the provisions of Education Code Section 33126.

Condition: The District reported information on the SARC that was inconsistent with the Facilities Inspection Tool (FIT) for one of the five schools selected. The error was noted on the SARC prepared for Castro Valley Elementary.

Questioned Cost: There is no questioned cost, as the District receives no funding from this program.

Cause: The information contained in the FIT was not compared to the information on safety, cleanliness, and adequacy of school facilities contained in the School Accountability Report Card for that school, prior to the submission and publication of said report card.

Effect: Information regarding the condition of Castro Valley Elementary for the 2013-14 school year was incorrectly reported on the SARC published during the 2014-15 school year, pursuant to Education Code Section 33126.

Recommendation: We recommend that FIT forms are kept on file to substantiate the condition of the District's facilities reported on the SARC. Furthermore, the District should complete a comparison between the SARCs and FIT forms before final publication.

District Response: The District has implemented procedures to ensure that the data reported on the School Accountability Report Card (SARC) for each school site is consistent with that reported on the Facility Inspection Tool (FIT) Form for each school site as required by Education Code Section 33126. In the future, the FIT Form completed for each site will be compared to the data included in the SARC prior to publication.

CASTRO VALLEY UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

There were no findings or questioned costs in 2013-14.

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

In planning and performing our audit of the basic financial statements of Castro Valley Unified School District for the year ending June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 30, 2015, on the financial statements of Castro Valley Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our review of meeting minutes at the high school and both middle schools, we found that the minutes being kept were inadequate.

Recommendation: Meeting minutes are an imperative record of operations and provide vital evidence in the event of fraud, improper spending, and accusations of improper club administration. We recommend the sites emphasize the importance of complete minutes and utilize the sample templates available in the FCMAT ASB Accounting Manual.

Observation: During our cash receipts testing at **Castro Valley High School**, we found that bank reconciliations were not being prepared timely. The bank reconciliations for July through March were prepared in April 2015. Timely and accurate bank reconciliations are necessary to ensure the accounting records match the amount held on deposit.

Recommendation: We recommend that the bookkeeper perform monthly bank reconciliations within two weeks of the statement's arrival. Furthermore, the Principal and/or ASB Advisor should review the bank reconciliations, as well as, initial and date, both the bank statement and reconciliation as evidence they were reviewed.

Observation: During our testing we found that the ASB bookkeepers are not required to submit financial statements to the District Office on a periodic basis.

Recommendation: We recommend that financial statements be prepared and submitted to the District Office on a monthly basis for review to ensure proper oversight. Additionally, the District should identify an individual in the Business Office who can review ASB reports monthly and provide technical support.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: During our testing of cash receipts at **Castro Valley High School**, we found that six of the ten deposits tested lacked sufficient supporting documentation. The cash receipts were missing all pertinent documentation, with the exception of a cash count sheet. The cash count sheet cannot substantiate collection, but rather what is submitted for deposit. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

Recommendation: Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: During our cash receipts testing at **Castro Valley High School**, we found one of the ten cash receipts was not deposited in a timely manner. Collected cash was for a football fundraiser, and was collected a month prior to being deposited.

Recommendation: We recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis. Money should never be left over the weekend or holidays because many thefts often occur during these times.

CREDIT CARDS

Observation: Our sample of five credit card statements yielded two exceptions. They include one purchase that lacked supporting documentation such as an invoice/receipt. The other exception was due to the payment not having an "okay to pay" noted. Since supporting documentation was not available it is impossible to identify what items were purchased and whether or not they were for authorized purchases only.

Recommendation: We recommend that credit card holders be reminded of the importance of retaining the itemized copy of the receipt, and submitting it with their District credit card statement to ensure proper approvals are obtained prior to payment.

EXPENDITURE APPROVALS

Observation: Our sample of 53 expenditures included 19 which were lacking prior approval. These exceptions included purchase orders dated after the invoice and did not indicate approval prior to services being performed or goods being received.

Recommendation: Better care should be taken to ensure that expenditures are approved before being incurred. Blanket purchase orders should be considered in cases where frequent expenditures are incurred throughout the year from the same vendor in order to avoid "emergency" situations.

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

Nigro+Nigro, PC

Murrieta, California
November 30, 2015