

**CAMPBELL UNION
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

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CAMPBELL UNION SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Campbell Union School District
Campbell, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell Union School District (District) as of and for the year ended June 30, 2017, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell Union School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and the schedule of district pension contributions, 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 Campbell Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information as listed on the table of contents is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of the Campbell Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Campbell Union School District's 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 Campbell Union School District's internal control over financial reporting and compliance.



Palo Alto, California

November 14, 2017

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CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

This section of Campbell Union School District's 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

The Campbell Union School District (the "District") was established as an elementary school district on September 7, 1921, and is located in the suburbs of Santa Clara County's Silicon Valley. The District encompasses a 14 square mile area and serves portions of Campbell, San Jose, Los Gatos, Monte Sereno, Saratoga, Santa Clara and an unincorporated area of Santa Clara County. The District maintains one middle school, eleven charter schools, a District Office, a Corporation Yard and three closed school sites.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Campbell Union School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capitalized assets) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

CAMPBELL UNION SCHOOL DISTRICT

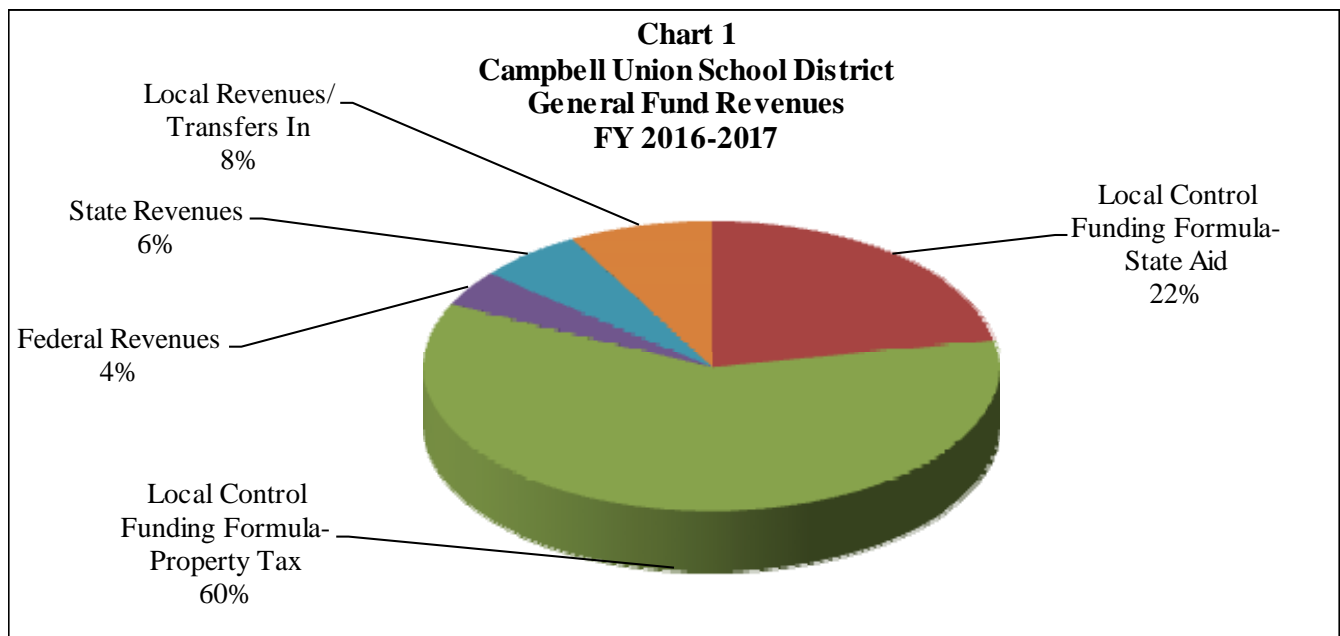
MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Local Control Funding Formula District

Since fiscal year 1973-74, State school districts operated under general purpose revenue limits established by the State Legislature. In general, the revenue limits were calculated for each school district by multiplying the average daily attendance (“ADA”) for our district by a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. In 2013-14 the State implemented a new school funding model called the “Local Control Funding Formula” (LCFF) and the amount financed by the State in 2016-2017 was \$18,955,654. Funding of the District’s LCFF is accomplished by a mix of local property taxes and State apportionments. Generally, the State apportionments amount to the difference between the District’s LCFF calculation and the local property tax revenues. A district becomes “Basic Aid” when the local property tax amount exceeds the district State apportionment amount.

In 2016-2017, the District received \$70.9 million from local control funding formula sources, accounting for approximately 82% of General Fund revenues. Of this, property taxes accounted for 60% of General Fund revenues. (See Chart 1)



Note: Chart 1 excludes State on-behalf payment of \$3,228,770 and Special Reserve for Other Than Capital fund.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position for governmental activities was \$29.2 million deficit for the fiscal year ended June 30, 2017. (See Table 1) Restricted net position of \$31.9 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations.

Table 1		
Campbell Union School District		
Net Position		
(Amounts in millions)		
	Governmental Activities	
Assets	2017	2016
Current and other assets	101.4	\$ 75.7
Capital assets	176.1	168.7
Total Assets	277.5	244.4
Deferred Outflows of Resources	18.5	8.3
Liabilities		
Current liabilities	15.5	15.3
Long-term debt	305.3	259.5
Total Liabilities	320.8	274.8
Deferred Inflows of Resources	4.4	7.3
Net Position		
Net investment in capital assets	(5.2)	(5.4)
Restricted	31.9	29.1
Unrestricted	(55.8)	(53.1)
Total Net Position	\$ (29.2)	\$ (29.4)

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Changes in Net Position

The results of this year's governmental activities operations for the District are reported in the Statement of Activities. Table 2 takes the information from the statement, rounds the numbers, and rearranges them slightly to present the total revenues for the year.

Table 2		
Campbell Union School District		
Changes in Net Position		
(Amounts in millions)		
	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 0.7	\$ 0.8
Operating grants and contributions	19.1	18.1
General revenues:		
Federal and state aid not restricted to specific purposes	21.6	24.2
Property taxes	65.7	61.0
Other general revenues	4.8	6.8
Total Revenues	112.0	110.9
Expenses		
Instruction-related	79.1	72.4
Student support services	8.7	8.0
Administration	5.5	4.3
Maintenance and operations	8.9	8.1
Other	9.5	9.6
Total Expenses	111.7	102.4
Change in Net Position	\$ 0.3	\$ 8.5

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Governmental Activities

As reported in the statement of activities, the cost of all of the governmental activities in 2016-2017 was \$111.7 million, which includes \$6.5 million in depreciation expense, \$3.2 million in On-Behalf payments from the State and \$2.2 million in additional accrued interest on bonds. However, the amount that the taxpayers ultimately financed for these activities through local taxes was only \$65.7 million because part of the cost was paid by those who benefited from the programs, \$0.7 million, or by other government agencies and organizations who subsidized certain programs with grants and contributions of \$19.1 million. We paid for the remaining “public benefit” portion of the governmental activities with \$21.6 million in federal funds and state funds, and with \$4.8 million in other revenues such as interest and general entitlements.

In Table 3, we have presented the cost of each of the District’s seven largest functions: Instruction, Instructional-Related Activities, which includes guidance and counseling, School Administration, Pupil Services, which includes student transportation and child nutrition, District Administration, Maintenance and Operations and Other, which includes debt service. The net cost (total cost less revenues generated by the activities) of each function is also provided.

Table 3				
Campbell Union School District				
Net Cost of Governmental Activities				
(Amounts in millions)				
	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 62.5	\$ 57.1	\$ 53.8	\$ 48.8
Instruction-related activities	8.6	7.8	7.5	6.8
School administration	8.0	7.5	6.9	6.5
Pupil services	8.7	8.0	5.6	4.7
Administration	5.5	4.3	5.1	3.8
Maintenance and operations	8.9	8.1	8.7	7.5
Other	9.5	9.6	4.2	5.4
Totals	\$ 111.7	\$ 102.4	\$ 91.8	\$ 83.5

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$92.3 million. (See Table 4) The District is required to maintain available reserves of 3% of total general fund expenditures for economic uncertainties. This 3% reserve amounts to \$2.77 million.

Table 4		
Campbell Union School District		
Governmental Fund Balances		
(Amounts in millions)		
	Total Governmental Funds	
	2017	2016
General fund	\$ 16.0	\$ 19.1
Building fund	45.5	21.1
Bond interest and redemption fund	15.9	13.4
Debt service fund ¹	-	9.3
Non-Major governmental funds	14.9	3.5
Totals	\$ 92.3	\$ 66.4

¹ Debt service fund was not a major governmental fund in Fiscal Year 2016-2017.

Charts 2 and 3 provide a breakdown of the general fund expenditures, both by object code and by function. As is common with virtually all school districts, the majority of expenditures in the general fund is for salaries and benefits (approximately 80%). From a functional cost standpoint, Chart 3 will show that approximately 78% of total general fund expenditures go for instruction and instruction-related activities. The District must spend at least 60% of its total certificated salary component on classroom instruction activities. For the current fiscal year, the District spent approximately 61% of its certificated salary on classroom instruction activity.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Chart 2
Campbell Union School District
General Fund Expenditures by Object
FY 2016-2017

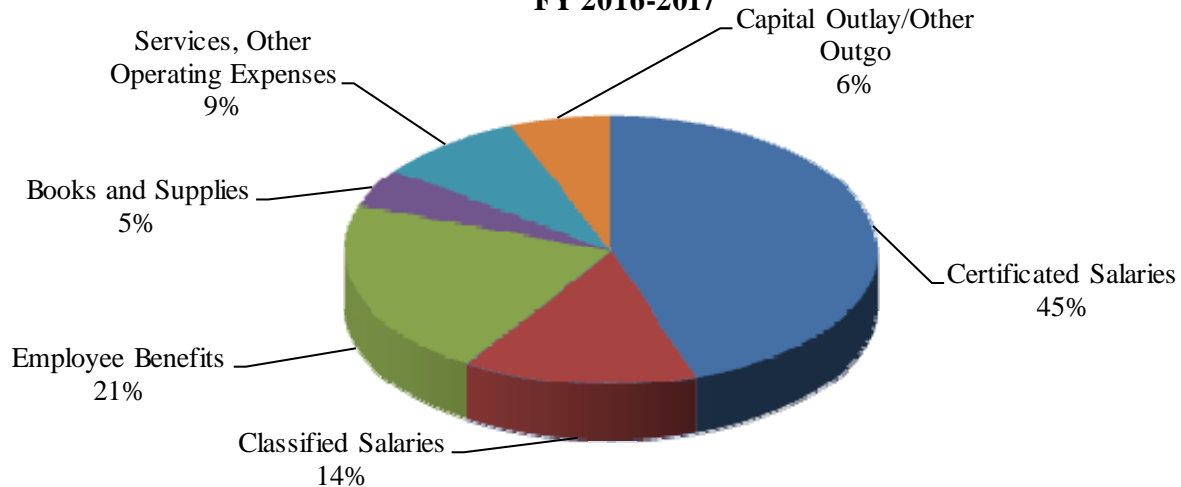
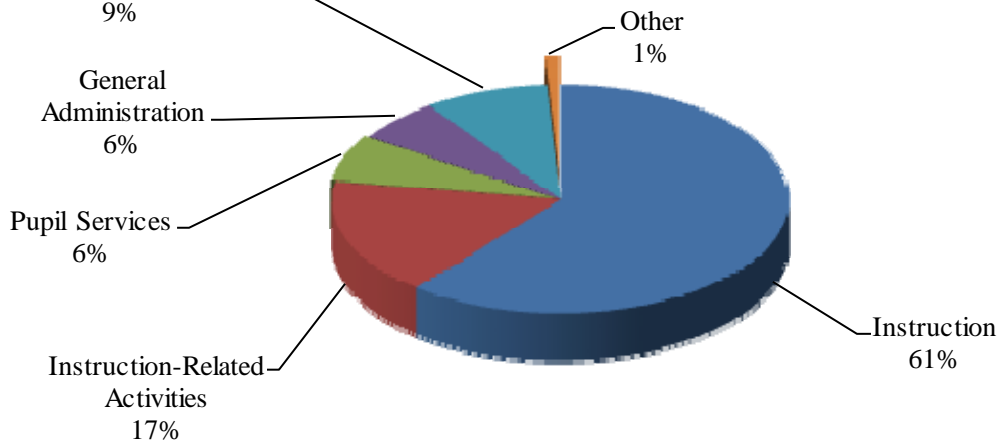


Chart 3
Campbell Union School District
General Fund Expenditures by Function
FY 2016-2017



General Fund Budgetary Highlights

The original adopted budget projected general fund revenues exceeding expenditures by approximately \$2.4 million. Our actual results showed a surplus of \$1.3 million, resulting in a variance from the actuals of \$1.1 million. The variance between the adopted budget and the actuals reflect a combination of increased salary and benefit spending by the District.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had a total of \$176.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment (net of accumulated depreciation of \$104.3 million). This total amount represents a net increase (including additions, deductions and depreciation) of \$7.4 million, or 4.4 percent, from last year. See Table 5 below:

Table 5			
Campbell Union School District			
Capital Assets at Year-end			
(Net of depreciation)			
(Amounts in millions)			
		Governmental Activities	
		2017	2016
Land		\$ 1.1	\$ 1.1
Construction in progress		9.2	19.9
Buildings and improvements		164.7	146.5
Equipment		1.2	1.2
Totals		\$ 176.1	\$ 168.7

More detailed information about capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At the end of the 2016-2017 year, the District had \$218.5 million in bonds outstanding, including \$8.9 million unamortized bond premiums. This amount represents an increase of \$26.3 million from the prior year.

The District's general obligation bond rating is currently "AA." The State limits the amount of general obligation debt that Districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District passed a general obligation bond issue in 2010 (the Measure G Bonds), which authorized the District to sell up to \$150 million in new bonds. In 2011 the District passed a Taxable General Obligation Bonds (Series B), General Obligation Bonds (Capital Appreciation, Series C), Taxable General Obligation Bond Anticipation Notes, and General Obligation Refunding Bonds. As of June 30, 2017, \$89.0 million of total authorized Measure G Bonds have been sold. The District's outstanding general obligation debt of \$102.3 million is below the \$206.4 million statutorily-imposed limit.

The Measure G and Measure CC Bonds will fund needed improvements to the District's school sites. These improvements include the repair, renovation, modernization and construction at elementary and middle schools; upgrade aged electrical systems, bathrooms and plumbing; improve parking and traffic around elementary and middle schools; enhance libraries and technology capabilities; the replacement of rented portable classrooms with ADA/Title 24 compliant modular buildings; and improve accessibility for the disabled within the District.

Other obligations include accumulated vacation and postemployment benefits (including health benefits). We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District budget for the 2017-2018 year, the District board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Property taxes are expected to increase by 4%.
2. Projected 59 ADA decrease from 2016-17 P-2, for a total ADA of 7,114.
3. Federal income has been kept flat from 2016-17.
4. State revenue will be kept flat from 2016-17.

Expenditures are based on the following forecasts:

	Staffing Ratio	ADA
Grades kindergarten through third	24:1	3,464
Grades fourth through eighth	30:1	3,847

The new items specifically addressed in the budget are:

- The District is reviewing programs to optimize the use of LCFF funding.
- The Local Control Accountability Plan has been developed for each school.
- Continuing implementation of the Common Core program.
- The District is managing employee earned vacation time so that there is no adverse impact on the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact James Crawford - Deputy Superintendent, Administrative Services, at Campbell Union School District, 155 North Third Street, Campbell, California, 95008.

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CAMPBELL UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 92,629,532	\$ 536,462	\$ 93,165,994
Receivables	3,547,242	7,527	3,554,769
Prepaid expenses	2,021,605	-	2,021,605
Stores inventories	141,218	-	141,218
Net OPEB asset	3,091,065	-	3,091,065
Capital assets not depreciated	10,267,480	-	10,267,480
Capital assets, net of accumulated depreciation	165,822,939	-	165,822,939
Total Assets	277,521,081	543,989	278,065,070
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,196,857	-	1,196,857
Deferred outflows of resources related to pensions	17,335,473	-	17,335,473
Total Deferred Outflows of Resources	18,532,330	-	18,532,330
LIABILITIES			
Accounts payable	2,644,892	57	2,644,949
Interest payable	2,213,538	-	2,213,538
Unearned revenue	1,709,672	-	1,709,672
Claims liability	1,686,000	-	1,686,000
Long-term obligations other than pensions			
Current portion	7,219,585	-	7,219,585
Noncurrent portion	221,076,086	-	221,076,086
Aggregate net pension liability	84,256,129	-	84,256,129
Total Liabilities	320,805,902	57	320,805,959
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	4,415,097	-	4,415,097
Total Deferred Inflows of Resources	4,415,097	-	4,415,097
NET POSITION			
Net investment in capital assets	(5,236,124)	-	(5,236,124)
Restricted for:			
Educational programs	5,196,196	-	5,196,196
Debt service	22,775,706	-	22,775,706
Capital projects	2,833,802	-	2,833,802
Food programs	1,063,925	-	1,063,925
Insurance program	1,475	-	1,475
Unrestricted	(55,802,568)	543,932	(55,258,636)
Total Net Position	\$ (29,167,588)	\$ 543,932	\$ (28,623,656)

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 62,457,017	\$ 88,578	\$ 8,519,840
Instruction-related activities:			
Supervision of instruction	6,243,473	8,943	1,055,855
Library, media, and technology	2,320,443	-	17,151
School site administration	8,008,365	7,622	1,071,504
Pupil services:			
Home-to-school transportation	1,216,943	-	-
Food services	2,684,548	596,527	1,889,625
All other pupil services	4,771,107	-	617,553
Administration:			
All other administration	5,479,024	29,566	378,660
Plant services	8,879,378	7,950	220,293
Ancillary services	83,295	-	37,018
Community services	195,536	-	-
Enterprise services	90,810	-	-
Interest on long-term obligations	8,750,950	-	-
Other outgo	533,581	-	5,326,905
Total Governmental Activities	<u>\$ 111,714,470</u>	<u>\$ 739,186</u>	<u>\$ 19,134,404</u>
Business-Type Activities			
Enterprise services	\$ 308,271	\$ -	\$ -
Total Business-Type Activities	<u>\$ 308,271</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues and subventions:

Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Taxes levied for other specific purposes
 Federal and state aid not restricted to specific purposes
 Interest and investment earnings
 Interagency revenues
 Miscellaneous
 Subtotal, General Revenues

Change in Net Position

Net Position - Beginning
 Net Position - Ending

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (53,848,599)	\$ -	\$ (53,848,599)
(5,178,675)	-	(5,178,675)
(2,303,292)	-	(2,303,292)
(6,929,239)	-	(6,929,239)
(1,216,943)	-	(1,216,943)
(198,396)	-	(198,396)
(4,153,554)	-	(4,153,554)
(5,070,798)	-	(5,070,798)
(8,651,135)	-	(8,651,135)
(46,277)	-	(46,277)
(195,536)	-	(195,536)
(90,810)	-	(90,810)
(8,750,950)	-	(8,750,950)
4,793,324	-	4,793,324
(91,840,880)	-	(91,840,880)
-	(308,271)	(308,271)
-	(308,271)	(308,271)
52,147,860	-	52,147,860
11,721,346	-	11,721,346
1,161,657	-	1,161,657
21,612,991	-	21,612,991
622,803	5,566	628,369
185,749	-	185,749
4,593,296	224,473	4,817,769
92,045,702	230,039	92,275,741
204,822	(78,232)	126,590
(29,372,410)	622,164	(28,750,246)
\$ (29,167,588)	\$ 543,932	\$ (28,623,656)

CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 15,714,010	\$ 45,544,844	\$ 15,850,085
Receivables	2,850,538	139,996	31,931
Due from other funds	27,625	-	-
Prepaid expenditures	1,989,978	28,670	-
Stores inventories	-	-	-
Total Assets	\$ 20,582,151	\$ 45,713,510	\$ 15,882,016
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,159,167	\$ 226,681	\$ -
Due to other funds	837,904	-	-
Unearned revenue	1,578,567	-	-
Total Liabilities	4,575,638	226,681	-
Fund Balances:			
Nonspendable	1,999,978	28,670	-
Restricted	3,278,951	45,458,159	15,882,016
Assigned	3,264,505	-	-
Unassigned	7,463,079	-	-
Total Fund Balances	16,006,513	45,486,829	15,882,016
Total Liabilities and Fund Balances	\$ 20,582,151	\$ 45,713,510	\$ 15,882,016

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 14,190,647	\$ 91,299,586
521,099	3,543,564
426,257	453,882
2,957	2,021,605
141,218	141,218
<u>\$ 15,282,178</u>	<u>\$ 97,459,855</u>

\$ 196,379	\$ 2,582,227
32,494	870,398
131,105	1,709,672
<u>359,978</u>	<u>5,162,297</u>

\$ 144,675	\$ 2,173,323
14,777,525	79,396,651
-	3,264,505
-	7,463,079
<u>14,922,200</u>	<u>92,297,558</u>
<u>\$ 15,282,178</u>	<u>\$ 97,459,855</u>

CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds	\$ 92,297,558
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Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds.

The cost of capital assets is	280,476,050	
Accumulated depreciation is	<u>(104,385,631)</u>	
Net Capital Assets		176,090,419

Deferred outflows related to pension activities are not recorded in the governmental funds because they are not current resources.	17,335,473
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The excess OPEB contributions over the annual required contributions is recorded as an expenditure in the governmental funds but is capitalized and recorded as an OPEB asset in the statement of net position.	3,091,065
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In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is accrued.	(2,213,538)
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An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,475
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Deferred charges on refunding related to the loss on refunding of debt which are classified as deferred outflows of resources and expensed over the life of the debt on the government-wide financial statements, but were recorded as expenditures in the governmental fund statements when the debt was issued.	1,196,857
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The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED) JUNE 30, 2017

Deferred inflows from pension activities are not recorded on the governmental funds but are recognized on the government-wide statement of net position.

(4,415,097)

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(209,611,547)
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Unamortized bond premium	(8,922,976)
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Clean energy loans	(6,385,706)
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Construction loans	(3,090,000)
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Compensated absences (vacations)	(285,442)
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Net pension liability	(84,256,129)
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Total Long-Term Obligations	(312,551,800)
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Total Net Position - Governmental Activities	\$ (29,167,588)
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The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 70,934,524	\$ -	\$ -
Federal sources	3,015,349	-	1,106,622
Other state sources	7,403,503	-	49,938
Other local sources	6,594,800	727,606	11,761,098
Total Revenues	87,948,176	727,606	12,917,658
EXPENDITURES			
Current			
Instruction	53,749,415	-	-
Instruction-related activities:			
Supervision of instruction	5,057,759	-	-
Library, media and technology	2,136,896	-	-
School site administration	6,772,489	-	-
Pupil services:			
Home-to-school transportation	1,120,683	-	-
Food services	35,157	-	-
All other pupil services	4,393,712	-	-
Other Administration	5,144,032	-	-
Plant services	6,687,142	-	-
Ancillary services	76,706	-	-
Community Services	180,069	-	-
Other outgo	533,581	-	-
Facility acquisition and construction	753,306	14,396,496	-
Debt service			
Principal	-	12,110	5,614,708
Interest and other	-	260,000	5,365,737
Total Expenditures	86,640,947	14,668,606	10,980,445
Excess (Deficiency) of Revenues Over Expenditures	1,307,229	(13,941,000)	1,937,213
Other Financing Sources (Uses)			
Transfers in	-	4,700,000	-
Other sources	-	33,588,636	577,215
Transfers out	(4,357,824)	-	-
Net Financing Sources (Uses)	(4,357,824)	38,288,636	577,215
NET CHANGE IN FUND BALANCES	(3,050,595)	24,347,636	2,514,428
Fund Balance - Beginning	19,057,108	21,139,193	13,367,588
Fund Balance - Ending	\$ 16,006,513	\$ 45,486,829	\$ 15,882,016

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 70,934,524
2,127,885	6,249,856
2,014,021	9,467,462
6,867,576	25,951,080
<u>10,918,731</u>	<u>112,602,922</u>
3,878,758	57,628,173
691,855	5,749,614
-	2,136,896
602,414	7,374,903
-	1,120,683
2,437,043	2,472,200
-	4,393,712
327,591	5,471,623
225,512	6,912,654
-	76,706
-	180,069
-	533,581
125,986	15,275,788
175,000	5,801,818
88,619	5,714,356
<u>8,552,778</u>	<u>120,842,776</u>
<u>2,456,704</u>	<u>(8,239,854)</u>
57,824	4,757,824
-	34,165,851
<u>(400,000)</u>	<u>(4,757,824)</u>
<u>(342,176)</u>	<u>34,165,851</u>
2,114,528	25,925,997
12,807,672	66,371,561
<u>\$ 14,922,200</u>	<u>\$ 92,297,558</u>

CAMPBELL UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 25,925,997**

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation.

Capital outlays	13,902,821	
Depreciation expense	(6,529,805)	
Net Expense Adjustment		7,373,016

In the statement of activities, certain operating expenses, such as compensated absences (vacations) 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 amount actually paid). Vacation used was more than the amounts earned.

121,086

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(1,481,541)

Payment of principal on long-term liabilities is an expenditure in the governmental funds. It reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

5,813,928

Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.

74,500

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

Accreted interest on capital appreciation bonds does not require the use of current financial resources, and thus is not recorded in the governmental funds. In the statement of activities, however, accreted interest expense is recognized in the government-wide statements as the interest accrues. (3,572,974)

Amortization of bond premium and discount is recorded in the statement of activities, but is not recognized in the governmental funds. 537,345

Amortization of bond defeasance costs are not recorded in the governmental funds, but they impact the statement of activities. (87,575)

In the statement of net position, the excess OPEB contribution is recognized as an OPEB asset and does not impact the governmental funds. 649,459

Proceeds received from the clean energy loan are recognized as revenues in the governmental funds but are recognized as liabilities in the government-wide statements. (6,397,816)

Proceeds received from the issuance of bonds and premium are recognized as revenues in the governmental funds but are recognized as liabilities in the government-wide statements.

Proceeds from sale of bonds	(28,000,000)	
Premiums	<u>(577,215)</u>	
Net Proceeds Adjustment		(28,577,215)

An internal service fund is used by the District's management to charge the costs of the workers' compensation to the individual funds. The net revenue of the internal service fund is reported with governmental activities. (173,388)

Change in Net Position of Governmental Activities	\$	<u>204,822</u>
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The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds Response to Instruction and Intervention Fund	Internal Service Self-Insurance Fund	Total Proprietary Funds
ASSETS			
Current Assets			
Deposits and investments	\$ 536,462	\$ 1,329,946	\$ 1,866,408
Receivables	7,527	3,678	11,205
Due from other funds	-	416,516	416,516
Total Current Assets	<u>543,989</u>	<u>1,750,140</u>	<u>2,294,129</u>
LIABILITIES			
Current Liabilities			
Accounts payable	57	62,665	62,722
Claim liabilities	-	1,686,000	1,686,000
Total Current Liabilities	<u>57</u>	<u>1,748,665</u>	<u>1,748,722</u>
NET POSITION			
Restricted for insurance programs	-	1,475	1,475
Unrestricted	543,932	-	543,932
Total Net Position	<u>\$ 543,932</u>	<u>\$ 1,475</u>	<u>\$ 545,407</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds Response to Instruction and Intervention Fund	Internal Service Self-Insurance Fund
OPERATING REVENUES		
In-district premiums/contributions	\$ -	\$ 562,078
Other operating revenues	224,473	-
Total Operating Revenues	<u>224,473</u>	<u>562,078</u>
OPERATING EXPENSES		
Payroll costs	286,561	-
Supplies and materials	497	175
Claims and insurance expense	-	741,180
Other operating cost	21,213	7,602
Total Operating Expenditures	<u>308,271</u>	<u>748,957</u>
Operating Deficit	<u>(83,798)</u>	<u>(186,879)</u>
NONOPERATING REVENUES		
Interest income	5,566	13,491
Total Nonoperating Revenues (Expenses)	<u>5,566</u>	<u>13,491</u>
Change in Net Position	<u>(78,232)</u>	<u>(173,388)</u>
Total Net Position - Beginning	<u>622,164</u>	<u>174,863</u>
Total Net Position - Ending	<u>\$ 543,932</u>	<u>\$ 1,475</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds Response to Instruction and Intervention Fund	Internal Service Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from other funds of the District	\$ -	\$ 562,078
Other operating cash receipts	218,184	-
Cash payments to other suppliers of goods or services	(21,700)	41,514
Cash payments to employees for services	(286,561)	-
Cash payment for insurance	-	(629,782)
Net Cash used for Operating Activities	<u>(90,077)</u>	<u>(26,190)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>5,569</u>	<u>12,411</u>
Net Cash Provided by Investing Activities	<u>5,569</u>	<u>12,411</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers between funds	<u>(15,400)</u>	<u>50,924</u>
Net Cash Provided By (Used for) Noncapital Financing Activities	<u>(15,400)</u>	<u>50,924</u>
Net Increase (decrease) in Cash and Cash Equivalents	(99,908)	37,145
Cash and Cash Equivalents - Beginning	636,370	1,292,801
Cash and Cash Equivalents - Ending	<u>\$ 536,462</u>	<u>\$ 1,329,946</u>
RECONCILIATION OF OPERATING DEFICIT TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating deficit	\$ (83,798)	\$ (186,879)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Receivables	(6,289)	-
Accrued liabilities	-	119,000
Accounts payable	10	41,689
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (90,077)</u>	<u>\$ (26,190)</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	Agency Fund
ASSETS	
Deposits and investments	\$ 35,830
Total Assets	\$ 35,830
LIABILITIES	
Due to student groups	\$ 35,830
Total Liabilities	\$ 35,830

The accompanying notes are an integral part of these financial statements.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Campbell Union School District was organized in 1921 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the state agencies. The District operates one middle school and eleven Charter Schools.

A reporting entity is comprised of the primary government, 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, boards, and agencies that are not legally separate from the District. For Campbell Union School District, this includes general operations, food service, and student related activities of the District.

Other Related Entities

Charter Schools The District has approved eleven charters pursuant to Education Code Section 47605. They are Sherman Oaks Elementary Charter School, Village Charter School, Lynhaven Charter School, Castlemont Elementary School, Capri Elementary School, Monroe Middle School, Rolling Hills Middle School, Blackford Elementary School, Forest Hill Elementary School, Marshall Lane Elementary School, and Rosemary Elementary School. These Charter Schools are operated by Campbell Union School District. The financial activities of the charter schools are included in the General Fund of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, the fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

As a result, the General Fund reflects an increase in assets, fund balance, and revenue of \$50,670, \$50,670, and \$498, respectively.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Debt Service Fund The Debt Service Fund is used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

Capital Projects Funds The Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost reimbursement basis. The District maintains an internal service fund to account for charges to other funds related to the District's insurance programs.

Response to Instruction and Intervention Fund The Fund exist to account for the services provided by the District to other school districts for their assistance in developing and establishing school instructional programs that integrate resources from general education, categorical programs and special education into a comprehensive system of core instruction and interventions.

Fiduciary Funds Fiduciary Funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and scholarship purposes (the Porter Fund).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function of the District and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund Financial Statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Governmental Funds All Governmental Funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end. 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 balance sheet and revenue is recognized.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury, and state fund balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the benefiting period.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds. In the government-wide statement of net position and activities, such amounts are capitalized and their cost is amortized to operations over their useful lives by annual depreciation expense charge. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion is included in the long-term obligation in the government-wide statement.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount and premium of the debt is reported as other financing sources.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds, current year pension contributions, difference between expected and actual experience in the measurement of the total pension liability, and change of District's proportionate share of net pension liabilities.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability, difference between expected and actual experience in the measurement of the total pension liability, change of assumptions and change of District's proportionate share of net pension liabilities.

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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Spending Order Policy

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.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expense

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are all other fees and contracts. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities, if applicable, in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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 1st of each year. The District governing board satisfied these requirements.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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 of \$3,228,770 have not been included as revenue and expenditures as required under generally accepted accounting principles on advice of the State.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements Effective This Fiscal Year

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the fiscal year 2016-17. Please refer to Note 17 for more details.

GASB Statement No. 82 - In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements Effective in Future Fiscal Year

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The District has not determined the effect of the statement.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

GASB Statement No. 81 - In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This pronouncement did not have an impact on the financial statements of the District.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The District has not determined the effect of the statement.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 91,299,586
Proprietary funds	1,866,408
Fiduciary funds	35,830
Total Deposits and Investments	<u>\$ 93,201,824</u>

Cash on hand and in banks	\$ 349,122
Cash in revolving	10,500
Investments	92,842,202
Total Deposits and Investments	<u>\$ 93,201,824</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized costs which approximate fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the amortized costs which approximate fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in county and state investment pools.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Value	Fair Value	Matures in 12 Months or Less
Santa Clara County Pool	\$ 92,819,130	\$ 92,604,141	\$ 92,604,141
State Investment Pool	23,072	23,284	23,284
Total	<u>\$ 92,842,202</u>	<u>\$ 92,627,425</u>	<u>\$ 92,627,425</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, all of the District's investments are not rated.

Custodial Credit Risk - Deposits

This 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. However, 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% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. The District does not have any significant exposure to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

As of June 30, 2017, the Districts investments in the Santa Clara County Treasury Investment Pool and State Investment Pools are uncategorized.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	\$ 1,668,394	\$ -	\$ -	\$ 453,713	\$ 2,122,107	\$ -
State Government						
Categorical aid	292,983	-	-	30,223	323,206	-
Lottery	544,588	-	-	-	544,588	-
Local Government						
Interest	61,422	139,996	31,931	37,163	270,512	5,205
Other Local Sources	283,151	-	-	-	283,151	6,000
Total	<u>\$ 2,850,538</u>	<u>\$ 139,996</u>	<u>\$ 31,931</u>	<u>\$ 521,099</u>	<u>\$ 3,543,564</u>	<u>\$ 11,205</u>

NOTE 5 - PREPAID EXPENSES

Prepaid expense at June 30, 2017, was as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor	\$ 1,419,129	\$ -	\$ -	\$ 1,419,129
CalPERS	570,849	28,670	2,957	602,476
	<u>\$ 1,989,978</u>	<u>\$ 28,670</u>	<u>\$ 2,957</u>	<u>\$ 2,021,605</u>

The District had paid for instructional material \$1,419,129 during 2016-17 to benchmark education. The amount will be recognized over the next 6 years.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,098,117	\$ -	\$ -	\$ 1,098,117
Construction in Progress	19,880,142	13,516,995	24,227,774	9,169,363
Total Capital Assets Not Being Depreciated	20,978,259	13,516,995	24,227,774	10,267,480
Capital Assets Being Depreciated:				
Buildings and Improvements	241,953,733	24,227,774	-	266,181,507
Furniture and Equipment	3,909,837	385,826	268,600	4,027,063
Total Capital Assets Being Depreciated	245,863,570	24,613,600	268,600	270,208,570
Total Capital Assets	266,841,829	38,130,595	24,496,374	280,476,050
Less Accumulated Depreciation:				
Buildings and Improvements	95,395,768	6,131,721	-	101,527,489
Furniture and Equipment	2,728,658	398,084	268,600	2,858,142
Total Accumulated Depreciation	98,124,426	6,529,805	268,600	104,385,631
Governmental Activities Capital Assets, Net	<u>\$ 168,717,403</u>	<u>\$ 31,600,790</u>	<u>\$ 24,227,774</u>	<u>\$ 176,090,419</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 3,978,883
Supervision of instruction	396,977
Instructional library, media, and technology	147,540
School site administration	509,193
Home-to-school transportation	77,376
Food services	170,691
All other pupil services	303,360
Ancillary services	5,296
Community services	12,433
All other general administration	377,783
Plant services	477,278
Enterprise	72,995
Total Depreciation Expense Governmental Activities	<u>\$ 6,529,805</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 421,388	\$ 416,516	\$ 837,904
Non-Major Governmental Funds	27,625	4,869	-	32,494
Total	<u>\$ 27,625</u>	<u>\$ 426,257</u>	<u>\$ 416,516</u>	<u>\$ 870,398</u>

All balances resulted from the time lag between that date (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of following:

Transfer Out	Transfer In		Total
	Building Fund	Non-Major Governmental Funds	
General Fund	\$ 4,300,000	\$ 57,824	\$ 4,357,824
Non-Major Governmental Funds	400,000	-	400,000
Total	<u>\$ 4,700,000</u>	<u>\$ 57,824</u>	<u>\$ 4,757,824</u>

The General Fund transferred to the Building Fund for ongoing construction projects.	\$ 4,300,000
The Child Development Fund transferred to the Building Fund to support Marshall Lane Campbellcare.	400,000
The General Fund transferred to the Child Development Fund to cover the deficit spending in the preschool program.	57,824
Total	<u>\$ 4,757,824</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 - DEFERRED CHARGE ON REFUNDING

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of negative \$5,236,124 includes the effect of deferring the recognition of loss from advance refunding. The \$1,196,857 balance of the deferred charge on refunding at June 30, 2017 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2017 consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Loss on refunding	\$ 1,284,432	\$ -	\$ 87,575	\$ 1,196,857

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 840,070	\$ 226,681	\$ 87,341	\$ 1,154,092	\$ 62,722
State principal apportionment	146,944	-	-	146,944	-
Salaries and benefits	1,172,153	-	109,038	1,281,191	-
Total	\$ 2,159,167	\$ 226,681	\$ 196,379	\$ 2,582,227	\$ 62,722

NOTE 10 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 773,807	\$ -	\$ 773,807
State categorical aid	64,660	-	64,660
Local grants	740,100	131,105	871,205
Total	\$ 1,578,567	\$ 131,105	\$ 1,709,672

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 183,378,573	\$ 31,572,974	\$ 5,340,000	\$ 209,611,547	\$ 6,065,000
Unamortized bond premium	8,883,106	577,215	537,345	8,922,976	556,586
Clean energy loan	-	6,397,816	12,110	6,385,706	402,999
Construction loan	3,265,000	-	175,000	3,090,000	195,000
Capital lease	1,017,415	-	1,017,415	-	-
Accumulated vacation - net	406,528	-	121,086	285,442	-
Net pension liability	69,622,742	14,633,387	-	84,256,129	-
	<u>\$ 266,573,364</u>	<u>\$ 53,181,392</u>	<u>\$ 7,202,956</u>	<u>\$ 312,551,800</u>	<u>\$ 7,219,585</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Payments on the clean energy loan will be made from the building fund. Payments on the construction loan will be made from the debt service fund. Payment on the capital lease will be made from the Building fund. The accrued vacation and pension contribution will be paid by the fund for which the employee worked.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Bonded Debt

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued/ Accreted	Defeased/ Redeemed	Bonds Outstanding June 30, 2017
9/96	8/1/21	6.05%-6.20%	\$ 5,457,058	\$ 13,934,704	\$ 799,316	\$ 1,240,000	\$ 13,494,020
3/98	8/1/22	5.20%	2,246,345	7,105,443	460,186	-	7,565,629
5/08	8/1/26	3.00%-4.00%	9,680,000	4,945,000	-	2,020,000	2,925,000
8/10	8/1/35	5.50%-4.00%	24,999,924	34,668,728	1,984,460	-	36,653,188
8/11	8/1/27	5.40%	22,500,000	22,500,000	-	-	22,500,000
8/11	8/1/40	6.87%-6.92%	2,499,400	3,789,698	329,012	-	4,118,710
7/11	8/1/31	4.50%-5.00%	24,550,000	21,110,000	-	1,805,000	19,305,000
3/14	8/1/30	2.25%-3.00%	4,970,000	4,695,000	-	225,000	4,470,000
3/14	8/1/43	4.00%-5.00%	16,000,000	16,000,000	-	-	16,000,000
4/15	8/1/36	2.00%-5.00%	39,980,000	39,630,000	-	50,000	39,580,000
4/15	8/1/43	3.375%-3.50%	15,000,000	15,000,000	-	-	15,000,000
2/17	8/1/47	3.00%-5.00%	8,000,000	-	8,000,000	-	8,000,000
2/17	8/1/47	3.00%-5.00%	20,000,000	-	20,000,000	-	20,000,000
Sub Total				183,378,573	31,572,974	5,340,000	209,611,547
Premium on issuance of bonds				8,883,106	577,215	537,345	8,922,976
Total				<u>\$ 192,261,679</u>	<u>\$ 38,548,005</u>	<u>\$ 5,889,455</u>	<u>\$ 224,920,229</u>

The bonds mature through 2048 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2018	\$ 5,204,158	\$ 6,899,556	\$ 12,103,714
2019	5,319,685	10,318,604	15,638,289
2020	4,065,004	10,182,437	14,247,441
2021	3,085,338	10,515,203	13,600,541
2022	6,265,571	13,375,075	19,640,646
2023-2027	34,665,000	37,799,678	72,464,678
2028-2032	42,417,023	27,103,930	69,520,953
2033-2037	34,203,444	21,771,423	55,974,867
2038-2042	22,048,857	20,080,022	42,128,879
2043-2047	22,075,000	1,818,344	23,893,344
2048	1,950,000	39,000	1,989,000
Total	<u>181,299,080</u>	<u>\$ 159,903,272</u>	<u>\$ 341,202,352</u>
Accretion to Date	<u>28,312,467</u>		
	<u>\$ 209,611,547</u>		

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Clean Energy Loan

During 2015-16, the District obtained \$6,397,816 interest free clean energy loan from California Energy Resources Conservation and Development commission for the District's solar projects. The District received \$809,180 in 2015-16, and \$5,588,636 in 2016-17. The clean energy loan matures through 2035 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2018	\$ 402,999
2019	402,999
2020	402,999
2021	402,999
2022	402,999
2023-2027	2,014,994
2029-2033	1,788,284
2034-2035	567,434
Total	<u><u>\$ 6,385,706</u></u>

Construction Loan

During 2012-13, the District obtained a lease agreement with Green Campus Partners, LLC in the amount of \$3,500,000. The loan has fixed interest rate of 1.375%. The construction loan matures through 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 195,000	\$ 83,669	\$ 278,669
2019	215,000	78,169	293,169
2020	240,000	72,050	312,050
2021	260,000	65,313	325,313
2022	290,000	57,956	347,956
2023-2027	1,890,000	151,869	2,041,869
Total	<u><u>\$ 3,090,000</u></u>	<u><u>\$ 509,026</u></u>	<u><u>\$ 3,599,026</u></u>

Capital Leases

During 2016, the District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. As of June 30, 2017, all amounts owed were paid off.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 500	\$ 10,500
Stores inventories	-	-	-	141,218	141,218
Prepaid expenditures	1,989,978	28,670	-	2,957	2,021,605
Total Nonspendable	1,999,978	28,670	-	144,675	2,173,323
Restricted					
Educational program	3,278,951	-	-	1,913,788	5,192,739
Food program	-	-	-	922,707	922,707
Capital projects	-	45,458,159	-	2,833,802	48,291,961
Debt services	-	-	15,882,016	9,107,228	24,989,244
Total Restricted	3,278,951	45,458,159	15,882,016	14,777,525	79,396,651
Assigned					
Program expenditures	3,264,505	-	-	-	3,264,505
Total Assigned	3,264,505	-	-	-	3,264,505
Unassigned					
Reserve for					
economic uncertainties	2,740,211	-	-	-	2,740,211
Remaining unassigned	4,722,868	-	-	-	4,722,868
Total Unassigned	7,463,079	-	-	-	7,463,079
Total	\$ 16,006,513	\$ 45,486,829	\$ 15,882,016	\$ 14,922,200	\$ 92,297,558

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Campbell School District. The Plan provides health care benefits insurance benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Membership of the Plan consists of 69 retirees currently receiving benefits and 752 active plan members. The over funded portion of annual required contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term assets.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on negotiated benefits caps with no future increases in the caps and with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2016-2017, the District contributed \$1,335,861 to the plan of which \$959,533 was deposited in the irrevocable trust and \$376,328 was paid for retiree health benefits by the District. Plan members are paid an annual amount equal to \$3,250 for premiums incurred by retirees and their dependents for a period of five years or up to ten years.

Annual OPEB Cost and Net OPEB Asset

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 accrued liabilities (UAAL) (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 asset to the Plan:

Annual required contribution	\$	654,609
Interest on net OPEB asset		(128,281)
Adjustment to annual required contribution		160,074
Annual OPEB cost (expense)		<u>686,402</u>
Contributions made		<u>(1,335,861)</u>
Changes in net OPEB asset		<u>(649,459)</u>
Net OPEB (asset), beginning of year		<u>(2,441,606)</u>
Net OPEB (asset), end of year	\$	<u><u>(3,091,065)</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2017	\$ 686,402	\$ 1,335,861	195%	\$ 3,091,065
2016	686,986	1,334,119	194%	2,441,606
2015	332,656	373,999	112%	1,794,473
2014	332,899	774,000	233%	1,753,130
2013	307,861	374,000	121%	1,312,029
2012	308,163	374,000	121%	1,245,890

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Funded Status and Funding Progress

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of July 1, 2015, the most recent actuarial valuation date, the plan was 44.82 percent funded. The actuarial accrued liability for benefits was \$6,221,205, and the actuarial value of assets was \$2,788,577, resulting in an UAAL of \$3,432,628. The covered payroll (annual payroll of active employees covered by the plan) was \$51,953,113, and the ratio of the UAAL to the covered payroll was 6.61 percent.

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, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.28 percent investment rate of return (net of administrative expenses), based on the long-term rate of earnings that the District expects to earn on its investments. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2017, was 21 years on a closed basis using the projected credit unit method. The actuarial value of assets was \$2,788,577. During the year, the District transferred \$959,533 to the Retiree Benefit Trust. At June 30, 2017, the trust fund's net position amounted to \$5,249,634.

NOTE 14 - 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, 2017, the District contracted with South Bay Area Schools Insurance Authority 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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Employee Medical Benefits

The District has contracted with the Kaiser and Blue Shield to provide employee health benefits. The rates are set through an annual calculation process.

Workers' Compensation

The District is self-insured for Workers' Compensation. The District's workers' compensation activities are recorded in the Internal Service Fund. The purpose of the fund is to administer workers' compensation on a cost reimbursement basis.

For fiscal year 2017, the District participated in the CSAC Excess Insurance Authority, an insurance purchasing pool. The intent of the CSAC Excess Insurance Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CSAC Excess Insurance Authority. 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 CSAC Excess Insurance Authority. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the CSAC Excess Insurance Authority. Participation in the CSAC Excess Insurance Authority is limited to districts that can meet the CSAC Excess Insurance Authority selection criteria.

Claims Liabilities

The District records an estimated liability for workers' compensation. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Workers' Compensation
Liability Balance, July 1, 2015	\$ 1,455,000
Claims and changes in estimates	112,000
Liability Balance, July 1, 2016	1,567,000
Claims and changes in estimates	119,000
Liability Balance, June 30, 2017	\$ 1,686,000
Assets available to pay claims at June 30, 2017	<u><u>\$ 1,687,475</u></u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 60,712,416	\$ 9,862,840	\$ 3,707,749	\$ 5,518,232
CalPERS	23,543,713	7,472,633	707,348	3,261,979
Total	<u>\$ 84,256,129</u>	<u>\$ 17,335,473</u>	<u>\$ 4,415,097</u>	<u>\$ 8,780,211</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$5,036,232.

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

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

District's proportionate share of net pension liability	\$ 60,712,416
State's proportionate share of the net pension liability associated with the District	34,562,496
Total	<u>\$ 95,274,912</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0751 percent and 0.0779 percent, resulting in a net decrease in the proportionate share of 0.0028 percent.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$5,518,232. In addition, the District recognized pension expense and revenue of \$3,340,829 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,036,232	\$ -
Net change in proportionate share of net pension liability	4,826,608	-
Differences between projected and actual earnings on plan investments	-	(1,481,010)
Differences between expected and actual experience in the measurement of the total pension liability	-	(2,226,739)
Total	<u>\$ 9,862,840</u>	<u>\$ (3,707,749)</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 105,301
2019	105,301
2020	2,805,724
2021	1,810,282
Total	<u>\$ 4,826,608</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The deferred inflows of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2018	\$ (654,717)
2019	(654,717)
2020	(654,717)
2021	(654,717)
2022	(654,716)
2023	(434,165)
Total	<u>\$ (3,707,749)</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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.

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. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation 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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 87,378,859
Current discount rate (7.60%)	\$ 60,712,416
1% increase (8.60%)	\$ 38,565,569

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$2,262,438.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,543,713. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.1192 percent and 0.1163 percent, resulting in a net increase in the proportionate share of 0.0029 percent.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$3,261,979. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,262,438	\$ -
Net change in proportionate share of net pension liability	544,363	-
Differences between projected and actual earnings on plan investments	3,653,227	-
Differences between expected and actual experience in the measurement of the total pension liability	1,012,605	-
Changes of assumptions	-	(707,348)
Total	<u>\$ 7,472,633</u>	<u>\$ (707,348)</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments is amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 512,413
2019	512,414
2020	1,674,939
2021	953,461
Total	<u>\$ 3,653,227</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 323,057
2019	314,333
2020	212,230
Total	<u>\$ 849,620</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 35,127,351
Current discount rate (7.65%)	\$ 23,543,713
1% increase (8.65%)	\$ 13,898,055

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,228,770, \$2,493,559, and \$1,966,506, (8.828 percent of 2016-2017, 7.126 percent of 2015-2016, and 5.679 percent of 2014-2015 annual payroll, respectively) for the fiscal years ended June 30, 2017, 2016, and 2015 respectively. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded on the financial statements. On behalf payments have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund-Budgetary Comparison Schedule*.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Social Security

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Construction Commitments

The District had construction commitments for various school sites in the amount of approximately \$29.5 million as of June 30, 2017.

NOTE 17 - TAX ABATEMENTS

As of June 30, 2017, the County of Santa Clara provides a tax abatement program through California Land Conservation Act of 1965, commonly referred to as the Williamson Act.

The Williamson Act affects taxing entity's share of the 1% ad valorem tax (property tax). The Williamson Act enables the County to enter into agreement with private landowners for restricting specific parcels of land to agricultural or related open space use for a ten year period. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value.

As a result of the Williamson Act, Campbell Union School District's property tax revenues were reduced by \$56,976 for the year ended June 30, 2017.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 18 - OPERATING LEASE REVENUES

The District has entered into various operating leases with various lessees for district owned facilities with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenues
2018	\$ 1,294,047
2019	1,348,824
2020	1,406,118
2021	1,089,856
2022	658,897
2023-2027	3,670,668
2028-2032	4,465,929
2033-2037	5,433,486
2038-2042	6,610,666
2043-2044	2,257,101
Total	<u>\$ 28,235,593</u>

NOTE 19 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the South Bay Area School Insurance Authority (SBASIA), the Self-Insured Schools of California (SISC) and the West Valley Schools Transportation Agency joint powers authority (WVSTA). The District pays an annual premium to the applicable entity for its health, worker's compensation, property liability coverage, and transportation services. 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. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2017, the District made payments of \$322,038 and \$523,305 to the SBASIA and the WVSTA, respectively for services received.

REQUIRED SUPPLEMENTARY INFORMATION

CAMPBELL UNION SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable)
	Original	Final		Final to Actual
REVENUES				
Local control funding formula	\$ 68,523,929	\$ 70,934,524	\$ 70,934,524	\$ -
Federal sources	3,285,035	3,015,349	3,015,349	-
Other state sources	7,685,424	7,403,503	7,403,503	-
Other local sources	7,783,569	6,594,302	6,594,302	-
Total Revenues	<u>87,277,958</u>	<u>87,947,678</u>	<u>87,947,678</u>	<u>-</u>
EXPENDITURES				
Current				
Certificated salaries	38,806,465	40,676,976	40,676,976	-
Classified salaries	12,542,590	12,983,913	12,983,913	-
Employee benefits	19,210,285	19,448,996	19,448,996	-
Books and supplies	6,404,084	4,191,970	4,191,970	-
Services and operating expenditures	7,462,452	8,143,264	8,143,264	-
Other outgo	402,229	205,989	205,989	-
Capital outlay	218,671	989,839	989,839	-
Total Expenditures	<u>85,046,775</u>	<u>86,640,947</u>	<u>86,640,947</u>	<u>-</u>
Excess of Revenues				
Over Expenditures	<u>2,231,183</u>	<u>1,306,731</u>	<u>1,306,731</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	260,000	-	-	-
Transfers out	(600,000)	(4,357,824)	(4,357,824)	-
Net Financing Uses	<u>(340,000)</u>	<u>(4,357,824)</u>	<u>(4,357,824)</u>	<u>-</u>
NET CHANGE IN				
FUND BALANCES	1,891,183	(3,051,093)	(3,051,093)	-
Fund Balance - Beginning	<u>19,006,936</u>	<u>19,006,936</u>	<u>19,006,936</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 20,898,119</u>	<u>\$ 15,955,843</u>	<u>15,955,843</u>	<u>\$ -</u>
Special Reserve Fund Balance			50,670	
Fund Balance - Ending (GAAP Basis)			<u>\$ 16,006,513</u>	

See accompanying note to required supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ 1,180,053	\$ 2,917,435	\$ 1,737,382	40.45%	\$ 43,504,457	3.99%
July 1, 2013	1,920,739	3,297,959	1,377,220	58.24%	47,180,216	2.92%
July 1, 2015	2,788,577	6,221,205	3,432,628	44.82%	51,953,113	6.61%

See accompanying note to required supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

Measurement Date, As of June 30,	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.07510%	0.07795%	0.07871%
District's proportionate share of the net pension liability	\$ 60,712,416	\$ 52,477,611	\$ 45,998,651
State's proportionate share of the net pension liability associated with the District	34,562,496	27,754,871	27,775,972
Total	\$ 95,274,912	\$ 80,232,482	\$ 73,774,623
District's covered payroll	\$ 37,639,046	\$ 33,125,202	\$ 34,992,947
District's proportionate share of the net pension liability as a percentage of its covered payroll	161.30%	158.42%	131.45%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.11920%	0.11632%	0.11342%
District's proportionate share of the net pension liability	\$ 23,543,713	\$ 17,145,131	\$ 12,876,020
District's covered payroll	\$ 14,315,077	\$ 12,879,989	\$ 12,310,080
District's proportionate share of the net pension liability as a percentage of its covered payroll	164.47%	133.11%	104.60%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 5,036,232	\$ 4,035,819	\$ 3,244,082
Contributions in relation to the contractually required contribution	5,036,232	4,035,819	3,244,082
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 40,036,262	\$ 37,639,046	\$ 33,125,202
Contributions as a percentage of covered payroll	12.58%	10.72%	9.79%
CalPERS			
Contractually required contribution	\$ 2,262,438	\$ 1,698,474	\$ 1,473,738
Contributions in relation to the contractually required contribution	2,262,438	1,698,474	1,473,738
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 16,290,598	\$ 14,315,077	\$ 12,879,989
Contributions as a percentage of covered payroll	13.89%	11.86%	11.44%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in assumptions since the previous valuations for CalSTRS. CalPERS discount rate was changed from 7.50% to 7.65% in 2016.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal ² Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act:			
Title I, Basic Grants Low Income and Neglected	84.010	14329	\$ 1,004,911
Title II, Teacher Quality	84.367	14341	237,896
Title III, Limited English Proficiency (LEP)	84.365	10084	162,808
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement	84.027	13379	1,215,651
Basic Local Assistance Entitlement Private Schools ISP's	84.027	10115	5,725
Preschool Grants	84.173	13430	56,898
Preschool Local Entitlement	84.027A	13682	178,284
Preschool Staff Development	84.173A	13431	387
Total Special Education Cluster			<u>1,456,945</u>
Total U.S. Department of Education			<u>2,862,560</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391/13396	1,298,109
Basic School Breakfast	10.553	13390	210,673
Meal Supplements	10.556	13528	349
Fair Market Value of Commodities ¹	10.555	³	<u>141,218</u>
Total Child Nutrition Cluster			1,650,349
Child and Adult Care Food Program	10.558	13666	<u>350,309</u>
Total U.S. Department of Agriculture			<u>2,000,658</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through CDE:			
Child Development: Federal Child Care Center-Based	93.596	13609	268,445
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	<u>152,789</u>
Total U.S. Department of Health and Human Services			<u>421,234</u>
Total Expenditures of Federal Awards			<u>\$5,284,452</u>

¹ Commodities are not recorded in the financial statement.

² Federal sources as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance includes revenue from the Build America Bonds Act of \$1,106,622 that are excluded from this schedule.

³ Pass-through Entity Identifying Number not available

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

ORGANIZATION

The Campbell Union School District (the “District”) established as an elementary school district on September 7, 1921, is located in the suburbs of Santa Clara County’s Silicon Valley. The District encompasses a 14 square mile area and serves portions of Campbell, San Jose, Los Gatos, Monte Sereno, Saratoga, Santa Clara and an unincorporated area of Santa Clara County. The District maintains one middle school and eleven charter schools, a District Office, a Corporation Yard and three closed school sites. The District leases one site to The Home Depot, one site (Hazelwood) to Canyon Heights Academy and the third site (Dover) to San Jose Christian School.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Thomas M. Gemetti	President	2018
Michael L. Snyder	Vice President	2020
Richard Nguyen	Clerk	2018
Danielle M.S. Cohen	Member	2018
Pablo A. Beltran	Member	2020

ADMINISTRATION

NAME	TITLE
Dr. Shelly Viramontez	Superintendent
James Crawford	Deputy Superintendent, Administrative Services
Lena Bundtzen	Associate Superintendent, Human Resources
Whitney Holton	Assistant Superintendent, Instructional Services
Peg Tushak	Assistant to Superintendent

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	-	0.17
Fourth through sixth	276.55	273.86
Seventh and eighth	342.78	339.28
Total Regular ADA	619.33	613.31
Extended Year Special Education		
Transitional kindergarten through third	6.88	6.88
Fourth through sixth	1.28	1.28
Seventh and eighth	0.61	0.61
Total Extended Year Special Education	8.77	8.77
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.18	1.24
Seventh and eighth	4.44	4.66
Total Special Education, Nonpublic, Nonsectarian Schools	5.62	5.90
Extended Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.19	0.19
Seventh and eighth	0.50	0.50
Total Extended Special Education, Nonpublic, Nonsectarian Schools	0.69	0.69
Total District ADA	634.41	628.67
Total Charter School ADA	6,581.02	6,559.54
Grand Total	7,215.43	7,188.21

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE – CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017

CHARTER SCHOOLS	Sherman Oaks	Village	Lynhaven	Blackford
Second Period Report				
Classroom-Based				
Transitional kindergarten through third	354.54	182.38	400.42	337.58
Fourth through sixth	163.39	85.85	134.65	145.04
Seventh and eighth	-	-	-	-
Total Classroom-Based	517.93	268.23	535.07	482.62
Non Classroom-Based				
Transitional kindergarten through third	-	1.06	0.79	0.25
Fourth through sixth	-	0.52	0.13	0.10
Seventh and eighth	-	-	-	-
Total Non Classroom-Based	-	1.58	0.92	0.35
Total Charter School	517.93	269.81	535.99	482.97
Annual Report				
Classroom-Based				
Transitional kindergarten through third	353.54	182.28	399.76	336.89
Fourth through sixth	163.24	85.88	134.37	144.46
Seventh and eighth	-	-	-	-
Total Classroom-Based	516.78	268.16	534.13	481.35
Non Classroom-Based				
Transitional kindergarten through third	-	0.92	0.54	0.20
Fourth through sixth	-	0.46	0.09	0.14
Seventh and eighth	-	-	-	-
Total Non Classroom-Based	-	1.38	0.63	0.34
Total Charter School	516.78	269.54	534.76	481.69

See accompanying note to supplementary information.

<u>Castlemont</u>	<u>Capri</u>	<u>Forest Hill</u>	<u>Marshall Lane</u>	<u>Rosemary</u>	<u>Monroe</u>	<u>Rolling Hills</u>	<u>Total</u>
458.94	473.41	455.38	375.17	351.92	-	-	3,389.74
206.16	204.09	179.27	168.23	156.78	282.63	363.47	2,089.56
-	-	-	-	-	518.80	544.34	1,063.14
<u>665.10</u>	<u>677.50</u>	<u>634.65</u>	<u>543.40</u>	<u>508.70</u>	<u>801.43</u>	<u>907.81</u>	<u>6,542.44</u>
0.62	1.36	1.47	2.07	0.14	-	8.11	15.87
0.26	0.24	0.58	0.57	-	0.04	6.30	8.74
-	-	-	-	-	0.18	13.79	13.97
<u>0.88</u>	<u>1.60</u>	<u>2.05</u>	<u>2.64</u>	<u>0.14</u>	<u>0.22</u>	<u>28.20</u>	<u>38.58</u>
<u>665.98</u>	<u>679.10</u>	<u>636.70</u>	<u>546.04</u>	<u>508.84</u>	<u>801.65</u>	<u>936.01</u>	<u>6,581.02</u>
458.19	470.05	455.44	374.53	347.67	-	-	3,378.35
204.91	205.24	178.99	167.19	156.04	281.78	363.73	2,085.83
-	-	-	-	-	516.99	541.23	1,058.22
<u>663.10</u>	<u>675.29</u>	<u>634.43</u>	<u>541.72</u>	<u>503.71</u>	<u>798.77</u>	<u>904.96</u>	<u>6,522.40</u>
0.49	1.34	1.60	1.89	0.10	-	8.04	15.12
0.20	0.29	0.47	0.44	-	0.02	6.59	8.70
-	-	-	-	-	0.12	13.20	13.32
<u>0.69</u>	<u>1.63</u>	<u>2.07</u>	<u>2.33</u>	<u>0.10</u>	<u>0.14</u>	<u>27.83</u>	<u>37.14</u>
<u>663.79</u>	<u>676.92</u>	<u>636.50</u>	<u>544.05</u>	<u>503.81</u>	<u>798.91</u>	<u>932.79</u>	<u>6,559.54</u>

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
District (Campbell Middle School)				
Grade 5	54,000	59,432	180	Complied
Grade 6	54,000	59,432	180	Complied
Grade 7	54,000	59,432	180	Complied
Grade 8	54,000	59,432	180	Complied
Sherman Oaks Charter Elementary School				
Kindergarten	36,000	55,560	180	Complied
Grade 1	50,400	52,180	180	Complied
Grade 2	50,400	52,180	180	Complied
Grade 3	50,400	52,180	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Grade 6	54,000	55,740	180	Complied
Village Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Lynhaven Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Blackford Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Castlemont Charter Elementary School				
Kindergarten	36,000	56,100	180	Complied
Grade 1	50,400	52,040	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Capri Charter Elementary School				
Kindergarten	36,000	55,920	180	Complied
Grade 1	50,400	52,320	180	Complied
Grade 2	50,400	52,320	180	Complied
Grade 3	50,400	52,320	180	Complied
Grade 4	54,000	55,920	180	Complied
Grade 5	54,000	55,920	180	Complied
Forest Hill Charter Elementary School				
Kindergarten	36,000	55,684	180	Complied
Grade 1	50,400	52,084	180	Complied
Grade 2	50,400	52,084	180	Complied
Grade 3	50,400	52,084	180	Complied
Grade 4	54,000	55,756	180	Complied
Grade 5	54,000	55,756	180	Complied
Marshall Lane Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,700	180	Complied
Grade 5	54,000	55,700	180	Complied

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Rosemary Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Monroe Charter Middle School				
Grade 5	54,000	59,664	180	Complied
Grade 6	54,000	59,664	180	Complied
Grade 7	54,000	59,664	180	Complied
Grade 8	54,000	59,664	180	Complied
Rolling Hills Charter Middle School				
Grade 5	54,000	59,397	180	Complied
Grade 6	54,000	59,397	180	Complied
Grade 7	54,000	59,397	180	Complied
Grade 8	54,000	59,397	180	Complied

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summarized below is the fund balance reconciliation between the Unaudited Actual Financial Report and the audited financial statements.

	General	Special Reserve Other
FUND BALANCE		
Balance, June 30, 2017, Unaudited Actuals	\$ 15,955,843	\$ 50,670
As required by GASB 54, the Special Reserve-Other Fund is combined with General Fund in the Audit Report	50,670	(50,670)
Balance, June 30, 2017, Audited Financial Statement	<u>\$ 16,006,513</u>	<u>\$ -</u>

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND ³				
Revenues	\$ 85,065,693	\$ 87,947,678	\$ 88,410,476	\$ 75,337,023
Other sources and transfers in	475,000	-	96,419	275,400
Total Revenues and Other Sources	85,540,693	87,947,678	88,506,895	75,612,423
Expenditures	85,422,473	86,640,947	80,209,128	74,276,892
Other uses and transfers out	600,000	4,357,824	10,100,000	300,000
Total Expenditures and Other Uses	86,022,473	90,998,771	90,309,128	74,576,892
INCREASE (DECREASE) IN FUND BALANCE	\$ (481,780)	\$ (3,051,093)	\$ (1,802,233)	\$ 1,035,531
ENDING FUND BALANCE	\$ 15,474,064	\$ 15,955,843	\$ 19,006,936	\$ 20,809,169
AVAILABLE RESERVES ²	\$ 8,092,203	\$ 7,463,079	\$ 9,645,707	\$ 9,016,189
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	9.41%	8.20%	10.68%	12.09%
LONG-TERM DEBT	\$ 305,332,215	\$ 312,551,800	\$ 266,573,364	\$ 268,463,902
K-8 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	7,151	7,215	7,340	7,393

The General Fund balance has decreased by \$4,853,326 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$481,780. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses.

The District has incurred an operating deficit in two of past three years, and anticipates an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$44,087,898 over the past two years.

Average daily attendance has decreased by 178 over the past two years. A decrease of 65 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances within the General Fund and the Special Reserve – Noncapital Fund.

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Outlay Projects.

⁴ P-2 ADA includes all charter schools in the District.

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017

Name of Charter School	Included in Audit Report
Blackford Charter Elementary School	Yes
Capri Charter Elementary School	Yes
Castlemont Charter Elementary School	Yes
Forest Hill Charter Elementary School	Yes
Lynhaven Charter Elementary School	Yes
Marshall Lane Charter Elementary School	Yes
Monroe Charter Middle School	Yes
Rolling Hills Charter Middle School	Yes
Rosemary Charter Elementary School	Yes
Sherman Oaks Charter Elementary School	Yes
Village Charter Elementary School	Yes

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	\$ 1,731,757	\$ 550,993	\$ 2,826,305	\$ 9,081,592	\$ 14,190,647
Receivables	6,526	481,440	7,497	25,636	521,099
Due from other funds	421,388	4,869	-	-	426,257
Prepaid expenditures	2,957	-	-	-	2,957
Stores inventories	-	141,218	-	-	141,218
Total Assets	<u>\$ 2,162,628</u>	<u>\$ 1,178,520</u>	<u>\$ 2,833,802</u>	<u>\$ 9,107,228</u>	<u>\$ 15,282,178</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 109,409	\$ 86,970	\$ -	\$ -	\$ 196,379
Due to other funds	4,869	27,625	-	-	32,494
Unearned revenue	131,105	-	-	-	131,105
Total Liabilities	<u>245,383</u>	<u>114,595</u>	<u>-</u>	<u>-</u>	<u>359,978</u>
Fund Balances:					
Nonspendable	3,457	141,218	-	-	144,675
Restricted	1,913,788	922,707	2,833,802	9,107,228	14,777,525
Total Fund Balances	<u>1,917,245</u>	<u>1,063,925</u>	<u>2,833,802</u>	<u>9,107,228</u>	<u>14,922,200</u>
Total Liabilities and Fund Balances	<u>\$ 2,162,628</u>	<u>\$ 1,178,520</u>	<u>\$ 2,833,802</u>	<u>\$ 9,107,228</u>	<u>\$ 15,282,178</u>

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 268,445	\$ 1,859,440	\$ -	\$ -	\$ 2,127,885
Other state sources	1,903,595	110,426	-	-	2,014,021
Other local sources	4,496,436	649,330	1,631,059	90,751	6,867,576
Total Revenues	<u>6,668,476</u>	<u>2,619,196</u>	<u>1,631,059</u>	<u>90,751</u>	<u>10,918,731</u>
EXPENDITURES					
Current					
Instruction	3,878,758	-	-	-	3,878,758
Instruction-related activities:					
Supervision of instruction	691,855	-	-	-	691,855
School site administration	602,414	-	-	-	602,414
Pupil services:					
Food services	-	2,437,043	-	-	2,437,043
Administration:					
All other administration	226,255	101,336	-	-	327,591
Plant services	225,512	-	-	-	225,512
Facility acquisition and construction	93,248	32,738	-	-	125,986
Debt service					
Principal	-	-	-	175,000	175,000
Interest and other	-	-	-	88,619	88,619
Total Expenditures	<u>5,718,042</u>	<u>2,571,117</u>	<u>-</u>	<u>263,619</u>	<u>8,552,778</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>950,434</u>	<u>48,079</u>	<u>1,631,059</u>	<u>(172,868)</u>	<u>2,456,704</u>
Other Financing Sources (Uses)					
Transfers in	57,824	-	-	-	57,824
Transfers out	(400,000)	-	-	-	(400,000)
Net Financing Sources (Uses)	<u>(342,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342,176)</u>
NET CHANGE IN FUND BALANCES	<u>608,258</u>	<u>48,079</u>	<u>1,631,059</u>	<u>(172,868)</u>	<u>2,114,528</u>
Fund Balance - Beginning	<u>1,308,987</u>	<u>1,015,846</u>	<u>1,202,743</u>	<u>9,280,096</u>	<u>12,807,672</u>
Fund Balance - Ending	<u>\$ 1,917,245</u>	<u>\$ 1,063,925</u>	<u>\$ 2,833,802</u>	<u>\$ 9,107,228</u>	<u>\$ 14,922,200</u>

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and		
Changes in Fund Balance:		\$ 6,249,856
Commodities are not recorded on the financial statement	10.555	141,218
Federal reimbursement for Build America Bonds		(1,106,622)
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,284,452</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *Education Code* Section 46201.

CAMPBELL UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 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.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Campbell Union School District
Campbell, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell Union School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Campbell Union School District's basic financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Campbell Union 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 Campbell Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Campbell Union 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 Campbell Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Davsinek, Trine, Day & Co., LLP". The signature is written in a cursive, flowing style.

Palo Alto, California
November 14, 2017



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

Governing Board
Campbell Union School District
Campbell, California

Report on Compliance for Each Major Federal Program

We have audited Campbell Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Campbell Union School District's (the District) major Federal programs for the year ended June 30, 2017. Campbell Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Campbell Union 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 Campbell Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campbell Union School District's internal control over compliance.

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

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

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



Palo Alto, California
November 14, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Campbell Union School District
Campbell, California

Report on State Compliance

We have audited Campbell Union School District's compliance with the types of compliance requirements as identified in the *2016-2017 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 Campbell Union School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Campbell Union School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Campbell Union 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 opinions. Our audit does not provide a legal determination of Campbell Union School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Campbell Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study because the ADA generated is below the testing threshold.

The District does not offer a Continuation Education Program; therefore, we did not perform any procedures related to the Continuation Education Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

The District does not have a public school that has K-3 Grade Span; therefore, we did not perform any procedures related to the K-3 Grade Span Adjustment.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer a Course based Independent Study program; therefore, we did not perform any procedures related to the Independent Study - Course Based.

We did not perform testing for Determination of Funding for Non-Classroom-Based Instruction because the total Non-Classroom-Based ADA generated is below the testing threshold.

The District did not receive any Charter School Facility Grant; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.


Palo Alto, California
November 14, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMPBELL UNION SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	
Identification of major federal programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.027/84.027A/84.173/84.173A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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CAMPBELL UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CAMPBELL UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CAMPBELL UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CAMPBELL UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no audit findings reported in the prior year's schedule of financial statement findings.