

**CAMPBELL UNION
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

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CAMPBELL UNION SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2017-2018 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell Union School District, as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net pension, and the schedule of the District's 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 District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major 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 other supplementary information as listed in 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 16, 2018, 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.

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

Palo Alto, California
November 16, 2018

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CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This section of Campbell Union School District's 2017-2018 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. 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 Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

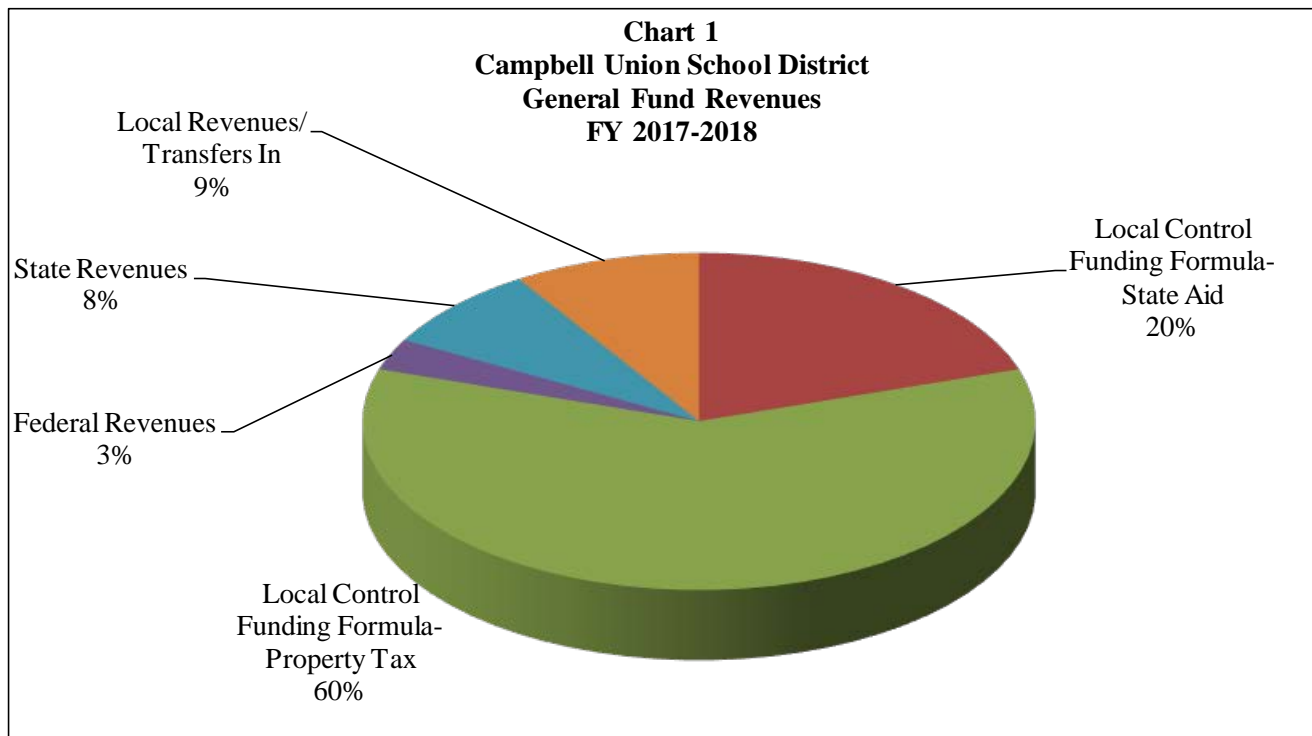
JUNE 30, 2018

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Local Control Funding Formula District

Since fiscal year 1973-1974, 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 2013-2014 the State implemented a new school funding model called the "Local Control Funding Formula" (LCFF) and the amount financed by the State in 2017-2018 was \$18,369,150. 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 2017-2018, the District received \$72.2 million from local control funding formula sources, accounting for approximately 80% 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 \$3,322,973 and Special Reserve for Other Than Capital fund.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's net position for governmental activities was \$31.7 million deficit for the fiscal year ended June 30, 2018. (See Table 1) Restricted net position of \$33.2 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	
	2018	2017
Assets		
Current and other assets	\$ 73.5	\$ 101.4
Capital assets	209.8	176.1
Total Assets	283.3	277.5
Deferred Outflows of Resources	32.0	18.5
Liabilities		
Current liabilities	25.3	15.5
Long-term debt	316.3	305.3
Total Liabilities	341.5	320.8
Deferred Inflows of Resources	5.5	4.4
Net Position		
Net investment in capital assets	0.9	(5.2)
Restricted	33.2	31.9
Unrestricted	(65.8)	(55.8)
Total Net Position	\$ (31.7)	\$ (29.1)

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 0.7	\$ 0.7
Operating grants and contributions	21.2	19.1
General revenues:		
Federal and state aid not restricted to specific purposes	20.5	21.6
Property taxes	71.3	65.7
Other general revenues	8.2	4.8
Total Revenues	121.8	112.0
Expenses		
Instruction-related	83.4	79.1
Student support services	9.3	8.1
Administration	6.0	5.5
Maintenance and operations	6.6	8.9
Other	12.2	9.5
Total Expenses	117.5	111.7
Change in Net Position	\$ 4.3	\$ 0.3

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Governmental Activities

As reported in the statement of activities, the cost of all of the governmental activities in 2017-2018 was \$117.5 million, which includes \$6.3 million in depreciation expense, \$3.3 million in On-Behalf payments from the State and \$2.8 million in additional accrued interest on bonds. However, the amount that the taxpayers ultimately financed for these activities through local taxes was only \$71.3 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 \$21.2 million. We paid for the remaining "public benefit" portion of the governmental activities with \$20.5 million in federal funds and state funds, and with \$8.2 million in other revenues such as interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3
Campbell Union School District
Net Cost of Governmental Activities
(Amounts in millions)

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 68.0	\$ 62.5	\$ 58.3	\$ 53.8
Instruction-related activities	6.5	8.6	5.5	7.5
School administration	8.9	8.0	7.8	6.9
Pupil services	9.3	8.7	6.2	5.6
Administration	6.0	5.5	5.5	5.1
Maintenance and operations	6.6	8.9	6.1	8.7
Other	12.2	9.5	6.3	4.2
Totals	\$ 117.5	\$ 111.7	\$ 95.7	\$ 91.8

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$61.4 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 \$1.84 million.

Table 4		
Campbell Union School District		
Governmental Fund Balances		
(Amounts in millions)		
	Total Governmental Funds	
	2018	2017
General fund	\$ 14.6	\$ 16.0
Building fund	14.0	45.5
Bond interest and redemption fund	19.8	15.9
Debt service fund ¹	9.2	-
Non-Major governmental funds	3.7	14.9
Totals	\$ 61.4	\$ 92.3

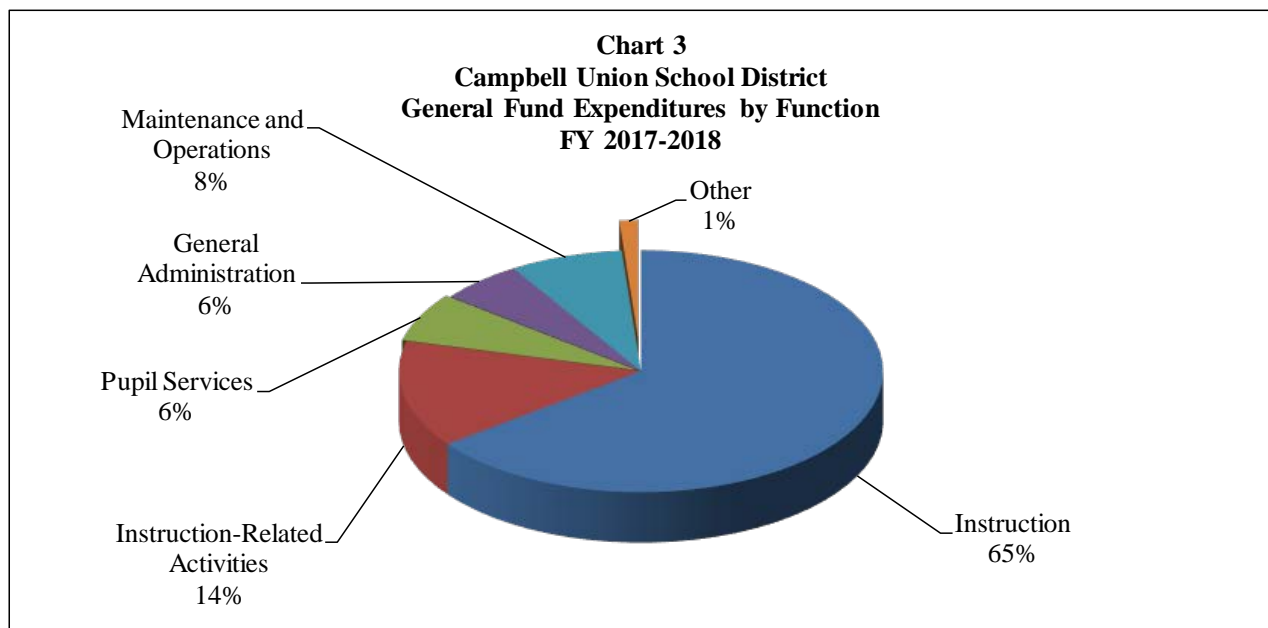
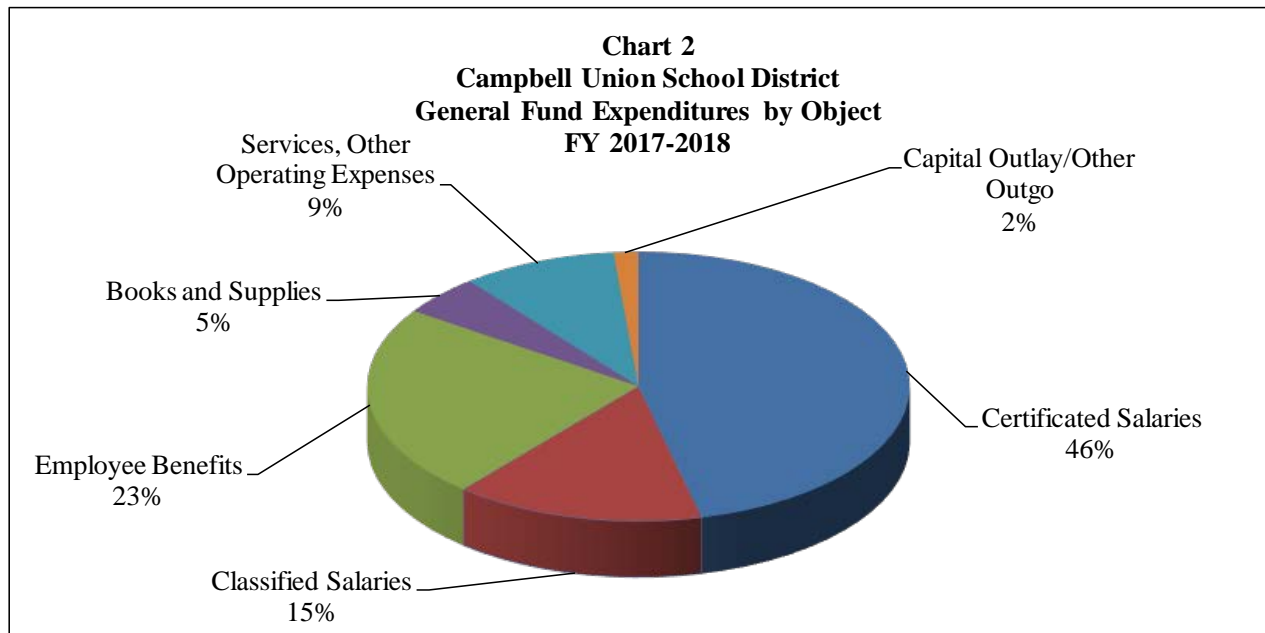
¹ Debt service fund was not a major governmental fund in Fiscal Year 2016-2017.

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, 2018



CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

General Fund Budgetary Highlights

The original adopted budget projected general fund expenditures exceeding revenues by approximately \$.36 million. Our actual results showed a surplus of \$.26, resulting in a variance from the actuals of \$.62 million. The variance between the adopted budget and the actuals reflect a combination of increased salary and benefit spending by the District.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2018.

- Significant revenue revisions made to the 2018-2019 Budget were due to increase in one-time discretionary funding for mandated costs reimbursement.
- Budgeted expenditures increased by \$4.7 million due to the collective bargaining settlement reached during 2017-2018 for 4% salary increase and expenditure increase for Prop 39 projects.
- Budgeted Transfers in increased by \$2 million due to board approved transfer to Bond Fund for Healthy Classroom project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had a total of \$209.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment (net of accumulated depreciation of \$110.5 million). This total amount represents a net increase (including additions, deductions and depreciation) of \$33.6 million, or 19.08 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	
	2018	2017
Land	\$ 1.1	\$ 1.1
Construction in progress	45.1	9.2
Buildings and improvements	162.1	164.7
Equipment	1.6	1.2
Totals	\$ 209.8	\$ 176.2

This year's additions of \$42.7 Million included several vehicles, cafeteria equipment and classroom equipment such as computers. No debt was issued for these additions. As of June 30, 2018, \$42 Million commitments were made for future capital expenditures.

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

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Long-Term Debt

At the end of the 2017-2018 year, the District had \$207 million in bonds outstanding, including \$7.8 million unamortized bond premiums. This amount represents an increase of \$22.8 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, 2018, \$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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the governing 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 100 ADA decrease from 2017-2018 P-2 for a total ADA of 6,961.
3. Federal income has been kept flat from 2017-2018.
4. State income will be kept flat from 2017-2018.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	24:1	3,333
Grades four through eight	30:1	3,829

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.

CAMPBELL UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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 Nelly Yang - the Assistant Superintendent, Business 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 69,549,480	\$ 1,337	\$ 69,550,817
Receivables	3,160,348	-	3,160,348
Internal balances	1,337	(1,337)	-
Prepaid expenses	638,294	-	638,294
Stores inventories	147,550	-	147,550
Capital assets not depreciated	46,187,109	-	46,187,109
Capital assets, net of accumulated depreciation	163,639,626	-	163,639,626
Total Assets	283,323,744	-	283,323,744
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,109,282	-	1,109,282
Deferred outflows of resources related to pensions	29,602,944	-	29,602,944
Deferred outflows of resources related to OPEB	1,334,938	-	1,334,938
Total Deferred Outflows of Resources	32,047,164	-	32,047,164
LIABILITIES			
Accounts payable	9,229,578	-	9,229,578
Interest payable	2,818,723	-	2,818,723
Unearned revenue	1,021,920	-	1,021,920
Claims liability	1,873,000	-	1,873,000
Long-term obligations other than pensions and OPEB			
Current portion	10,355,058	-	10,355,058
Noncurrent portion	214,001,998	-	214,001,998
Aggregate net pension liability	99,585,433	-	99,585,433
Net OPEB liability	2,663,074	-	2,663,074
Total Liabilities	341,548,784	-	341,548,784
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	5,491,863	-	5,491,863
Total Deferred Inflows of Resources	5,491,863	-	5,491,863
NET POSITION			
Net investment in capital assets	911,725	-	911,725
Restricted for:			
Educational programs	5,343,501	-	5,343,501
Debt service	26,244,871	-	26,244,871
Capital projects	578,452	-	578,452
Food programs	1,077,129	-	1,077,129
Insurance program	5,548	-	5,548
Unrestricted	(65,830,965)	-	(65,830,965)
Total Net Position	\$ (31,669,739)	\$ -	\$ (31,669,739)

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

CAMPBELL UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 67,970,493	\$ 105,772	\$ 9,522,604
Instruction-related activities:			
Supervision of instruction	4,192,089	9,156	975,564
Library, media, and technology	2,297,670	-	16,223
School site administration	8,906,458	8,814	1,069,320
Pupil services:			
Home-to-school transportation	1,035,948	-	243
Food services	2,866,232	548,131	1,940,955
All other pupil services	5,376,816	-	602,870
Administration:			
All other administration	6,009,020	32,635	442,469
Plant services	6,647,018	7,758	564,501
Ancillary services	109,478	-	42,015
Community services	289,402	-	-
Enterprise services	841,319	-	-
Interest on long-term obligations	9,734,407	-	-
Other outgo	1,261,220	-	5,985,461
Total Governmental Activities	<u>\$ 117,537,570</u>	<u>\$ 712,266</u>	<u>\$ 21,162,225</u>
Business-Type Activities			
Instruction intervention	\$ 68,109	\$ -	\$ -
Total Government-wide	<u>\$ 68,109</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			
Internal transfers			
Subtotal, General Revenues			
Change in Net Position			
Net Position - Beginning (restated)			
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
\$ (58,342,117)	\$ -	\$ (58,342,117)
(3,207,369)	-	(3,207,369)
(2,281,447)	-	(2,281,447)
(7,828,324)	-	(7,828,324)
(1,035,705)	-	(1,035,705)
(377,146)	-	(377,146)
(4,773,946)	-	(4,773,946)
(5,533,916)	-	(5,533,916)
(6,074,759)	-	(6,074,759)
(67,463)	-	(67,463)
(289,402)	-	(289,402)
(841,319)	-	(841,319)
(9,734,407)	-	(9,734,407)
4,724,241	-	4,724,241
(95,663,079)	-	(95,663,079)
-	(68,109)	(68,109)
-	(68,109)	(68,109)
54,130,959	-	54,130,959
15,036,856	-	15,036,856
1,162,810	-	1,162,810
20,464,276	-	20,464,276
936,436	4,976	941,412
196,187	-	196,187
7,554,966	-	7,554,966
480,799	(480,799)	-
99,963,289	(475,823)	99,487,466
4,300,210	(543,932)	3,756,278
(35,969,949)	543,932	(35,426,017)
\$ (31,669,739)	\$ -	\$ (31,669,739)

CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 15,603,959	\$ 20,372,631	\$ 19,765,726
Receivables	1,832,141	110,564	59,353
Due from other funds	96,754	-	-
Prepaid expenditures	609,050	29,244	-
Stores inventories	-	-	-
Total Assets	<u>\$ 18,141,904</u>	<u>\$ 20,512,439</u>	<u>\$ 19,825,079</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,526,314	\$ 6,527,588	\$ -
Due to other funds	153,425	6,747	-
Unearned revenue	850,206	-	-
Total Liabilities	<u>3,529,945</u>	<u>6,534,335</u>	<u>-</u>
Fund Balances:			
Nonspendable	619,050	29,244	-
Restricted	3,285,776	13,948,860	19,825,079
Assigned	3,367,992	-	-
Unassigned	7,339,141	-	-
Total Fund Balances	<u>14,611,959</u>	<u>13,978,104</u>	<u>19,825,079</u>
Total Liabilities and Fund Balances	<u>\$ 18,141,904</u>	<u>\$ 20,512,439</u>	<u>\$ 19,825,079</u>

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 9,199,795	\$ 2,863,214	\$ 67,805,325
38,720	1,114,022	3,154,800
-	7,901	104,655
-	-	638,294
-	147,550	147,550
<u>\$ 9,238,515</u>	<u>\$ 4,132,687</u>	<u>\$ 71,850,624</u>
\$ -	\$ 151,096	\$ 9,204,998
-	96,571	256,743
-	171,714	1,021,920
<u>-</u>	<u>419,381</u>	<u>10,483,661</u>
-	147,950	796,244
9,238,515	3,565,356	49,863,586
-	-	3,367,992
-	-	7,339,141
<u>9,238,515</u>	<u>3,713,306</u>	<u>61,366,963</u>
<u>\$ 9,238,515</u>	<u>\$ 4,132,687</u>	<u>\$ 71,850,624</u>

CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds		\$ 61,366,963
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		
The cost of capital assets is	\$ 320,387,204	
Accumulated depreciation is	(110,560,469)	
Net Capital Assets		209,826,735
Pension liabilities and related deferred outflows and inflows are not recorded in the governmental funds because they are not current resources.		(75,474,352)
OPEB liabilities and related deferred outflows and inflows are not recorded in the governmental funds because they are not current resources.		(1,328,136)
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.		(2,818,723)
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.		5,548
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.		1,109,282
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	(207,266,636)	
Unamortized bond premium	(7,858,053)	
Clean energy loans	(5,982,707)	
Construction loans	(2,895,000)	
Compensated absences (vacations)	(354,660)	
Total Long-Term Obligations		(224,357,056)
Total Net Position - Governmental Activities		\$ (31,669,739)

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

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CAMPBELL UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 72,227,537	\$ -	\$ -
Federal sources	3,028,717	-	1,107,810
Other state sources	7,681,140	-	59,460
Other local sources	7,439,916	444,165	15,143,606
Total Revenues	90,377,310	444,165	16,310,876
EXPENDITURES			
Current			
Instruction	58,312,339	-	-
Supervision of instruction	3,361,142	-	-
Library, media and technology	2,088,651	-	-
School site administration	7,429,720	-	-
Pupil services:			
Home-to-school transportation	956,914	-	-
Food services	197	-	-
All other pupil services	4,959,227	-	-
Administration:			
Other administration	5,034,065	-	-
Plant services	6,560,129	-	-
Ancillary services	101,485	-	-
Community services	266,953	-	-
Other outgo	780,421	-	-
Capital outlay	261,420	38,871,223	-
Debt service			
Principal	-	597,999	6,065,000
Interest and other	-	83,668	6,302,813
Total Expenditures	90,112,663	39,552,890	12,367,813
Excess (Deficiency) of Revenues Over Expenditures	264,647	(39,108,725)	3,943,063
Other Financing Sources (Uses)			
Transfers in	940,799	7,600,000	-
Transfers out	(2,600,000)	-	-
Net Financing Sources (Uses)	(1,659,201)	7,600,000	-
NET CHANGE IN FUND BALANCES	(1,394,554)	(31,508,725)	3,943,063
Fund Balance - Beginning	16,006,513	45,486,829	15,882,016
Fund Balance - Ending	\$ 14,611,959	\$ 13,978,104	\$ 19,825,079

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 72,227,537
-	2,237,073	6,373,600
-	2,678,435	10,419,035
131,287	7,285,629	30,313,316
131,287	12,069,850	119,333,488
-	4,158,234	62,470,573
-	480,971	3,842,113
-	-	2,088,651
-	777,596	8,207,316
-	-	956,914
-	2,573,246	2,573,443
-	-	4,959,227
-	396,880	5,430,945
-	324,589	6,884,718
-	-	101,485
-	-	266,953
-	-	780,421
-	-	39,132,643
-	-	6,662,999
-	-	6,386,481
-	8,711,516	150,744,882
131,287	3,358,334	(31,411,394)
-	-	8,540,799
-	(5,460,000)	(8,060,000)
-	(5,460,000)	480,799
131,287	(2,101,666)	(30,930,595)
9,107,228	5,814,972	92,297,558
\$ 9,238,515	\$ 3,713,306	\$ 61,366,963

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, 2018

Total Net Change in Fund Balances - Governmental Funds **\$ (30,930,595)**

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	\$ 40,028,454	
Depreciation expense	<u>(6,289,138)</u>	
Net Expense Adjustment		33,739,316

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the government funds. (3,000)

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 less than the amounts earned. (69,218)

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. (4,138,599)

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. 6,662,999

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, 2018

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.	\$ (605,185)
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.	(3,720,089)
Amortization of bond premium and discount is recorded in the statement of activities, but is not recognized in the governmental funds.	1,064,923
Amortization of bond defeasance costs are not recorded in the governmental funds, but they impact the statement of activities.	(87,575)
In the governmental funds, OPEB costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.	2,383,160
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.	<u>4,073</u>
Change in Net Position of Governmental Activities	<u>\$ 4,300,210</u>

CAMPBELL UNION SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Enterprise Funds	
	Response to	Internal Service
	Instruction and	Self-Insurance
	Intervention Fund	Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 1,337	\$ 1,744,155
Receivables	-	5,548
Due from other funds	-	153,425
Total Current Assets	<u>1,337</u>	<u>1,903,128</u>
LIABILITIES		
Current Liabilities		
Accounts payable	-	24,580
Due to other funds	1,337	-
Claim liabilities	-	1,873,000
Total Current Liabilities	<u>1,337</u>	<u>1,897,580</u>
NET POSITION		
Restricted for insurance programs	-	5,548
Total Net Position	<u>\$ -</u>	<u>\$ 5,548</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, 2018

	Enterprise Funds Response to Instruction and Intervention Fund	Internal Service Self-Insurance Fund
OPERATING REVENUES		
In-district premiums/contributions	\$ -	\$ 733,054
Total Operating Revenues	-	733,054
OPERATING EXPENSES		
Payroll costs	67,952	-
Supplies and materials	-	267
Claims and insurance expense	-	733,236
Other operating cost	157	14,917
Total Operating Expenditures	68,109	748,420
Operating Deficit	(68,109)	(15,366)
NONOPERATING REVENUES		
Interest income	4,976	19,439
Transfer to district	(480,799)	-
Total Nonoperating Revenues (Expenses)	(475,823)	19,439
Change in Net Position	(543,932)	4,073
Total Net Position - Beginning	543,932	1,475
Total Net Position - Ending	\$ -	\$ 5,548

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, 2018

	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	\$ -	\$ 733,054
Other operating cash receipts	7,524	-
Cash payments to other suppliers of goods or services	(214)	(38,352)
Cash payments to employees for services	(67,952)	-
Cash payment for insurance	-	(561,153)
Net Cash Provided by (Used for) Operating Activities	(60,642)	133,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,979	17,569
Net Cash Provided by Investing Activities	4,979	17,569
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers between funds	(479,462)	263,091
Net Cash Provided by (Used for) Noncapital Financing Activities	(479,462)	263,091
Net Increase (decrease) in Cash and Cash Equivalents	(535,125)	414,209
Cash and Cash Equivalents - Beginning	536,462	1,329,946
Cash and Cash Equivalents - Ending	\$ 1,337	\$ 1,744,155
RECONCILIATION OF OPERATING DEFICIT TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating deficit	\$ (68,109)	\$ (15,366)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Receivables	7,524	-
Accrued liabilities	-	187,000
Accounts payable	(57)	(38,085)
Net Cash Provided by (Used for) Operating Activities	\$ (60,642)	\$ 133,549

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

CAMPBELL UNION SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Agency Fund
ASSETS	
Deposits and investments	\$ 26,098
Total Assets	<u>\$ 26,098</u>
LIABILITIES	
Due to student groups	\$ 26,098
Total Liabilities	<u>\$ 26,098</u>

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

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018

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).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. 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).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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.

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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Response to Instruction and Intervention Fund The Fund exists 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, 2018

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, 2018

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, 2018, 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 (Expenses)

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, 2018

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, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net 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 deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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, 2018, 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, 2018

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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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.

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 in the Current Years

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements Effective in the Future Years

GASB 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 assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

GASB 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. Early implementation is encouraged. The District has not determined the effect of the statement.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

GASB 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. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District has not determined the effect of the statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 67,805,325
Proprietary funds	1,745,492
Fiduciary funds	26,098
Total Deposits and Investments	<u>\$ 69,576,915</u>

Cash on hand and in banks	\$ 325,053
Cash in revolving	10,400
Investments	69,241,462
Total Deposits and Investments	<u>\$ 69,576,915</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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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.

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

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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	Matures in 12 Months or Less
Santa Clara County Pool	\$ 69,218,117	\$ 69,218,117
State Investment Pool	23,345	23,345
Total	<u>\$ 69,241,462</u>	<u>\$ 69,241,462</u>

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, 2018, 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 inputs – quoted prices in active markets for identical assets.

Level 2 inputs – quoted prices in active or inactive for the same or similar assets.

Level 3 inputs – estimates using the best information available when there is little or no market.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, the Districts investments in the Santa Clara County Treasury Investment Pool and State Investment Pools are uncategorized.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, 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	Debt Service Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 961,057	\$ -	\$ -	\$ -	\$ 492,212	\$ 1,453,269
State Government						
Categorical aid	18,912	-	-	-	613,232	632,144
Lottery	317,595	-	-	-	-	317,595
Local Government						
Interest	100,016	110,564	59,353	38,720	8,578	317,231
Other Local Sources	434,561	-	-	-	-	434,561
Total	<u>\$ 1,832,141</u>	<u>\$ 110,564</u>	<u>\$ 59,353</u>	<u>\$ 38,720</u>	<u>\$ 1,114,022</u>	<u>\$ 3,154,800</u>

NOTE 5 - PREPAID EXPENSES

Prepaid expense at June 30, 2018, was as follows:

	General Fund	Building Fund	Total
Vendor	\$ 540,000	\$ -	\$ 540,000
CalPERS	69,050	29,244	98,294
	<u>\$ 609,050</u>	<u>\$ 29,244</u>	<u>\$ 638,294</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 5 years.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,098,117	\$ -	\$ -	\$ 1,098,117
Construction in Progress	9,169,363	38,683,667	2,764,038	45,088,992
Total Capital Assets				
Not Being Depreciated	10,267,480	38,683,667	2,764,038	46,187,109
Capital Assets Being Depreciated:				
Buildings and Improvements	266,181,507	3,349,012	-	269,530,519
Furniture and Equipment	4,027,063	759,813	117,300	4,669,576
Total Capital Assets Being Depreciated				
Depreciated	270,208,570	4,108,825	117,300	274,200,095
Total Capital Assets	280,476,050	42,792,492	2,881,338	320,387,204
Less Accumulated Depreciation:				
Buildings and Improvements	101,527,489	5,946,820	-	107,474,309
Furniture and Equipment	2,858,142	342,318	114,300	3,086,160
Total Accumulated Depreciation	104,385,631	6,289,138	114,300	110,560,469
Governmental Activities Capital Assets, Net	\$ 176,090,419	\$ 36,503,354	\$ 2,767,038	\$ 209,826,735

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

Governmental Activities	
Instruction	\$ 3,984,692
Supervision of instruction	245,070
Instructional library, media, and technology	133,225
School site administration	523,504
Home-to-school transportation	61,037
Food services	164,147
All other pupil services	316,325
Ancillary services	6,473
Community services	17,028
All other general administration	346,413
Plant services	439,142
Enterprise	52,082
Total Depreciation Expense Governmental Activities	\$ 6,289,138

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 153,425	\$ 153,425
Building Fund	-	6,747	-	6,747
Non-Major Governmental Funds	95,417	1,154	-	96,571
Enterprise Funds	1,337	-	-	1,337
Total	<u>\$ 96,754</u>	<u>\$ 7,901</u>	<u>\$ 153,425</u>	<u>\$ 258,080</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, 2018, consisted of following:

Transfer Out	Transfer In		Total
	General Fund	Building Fund	
General Fund	\$ -	\$ 2,600,000	\$ 2,600,000
Non-Major Governmental Funds	460,000	5,000,000	5,460,000
Proprietary Funds	480,799	-	480,799
Total	<u>\$ 940,799</u>	<u>\$ 7,600,000</u>	<u>\$ 8,540,799</u>

	Amount
Capital Facilities transferred to Building fund for ongoing construction.	\$ 4,000,000
General fund transferred to building fund for \$2,000,000 for Healthy Classroom Project; \$400,000 for Deferred Maintenance Account; \$200,000 for repairs at leased school sites.	2,600,000
Child development fund to building fund for last payment of \$600,000 for Marshall Lane Campbell Care. \$400,000 payment for Castelmont CampbellCare.	1,000,000
The Child Development Fund transferred to the general und to support the Middle School Sports and Superintendent Discretionary program.	460,000
Other enterprise fund transferred to General fund to Close Enterprise fund.	480,799
Total	<u>\$ 8,540,799</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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 \$911,725 includes the effect of deferring the recognition of loss from advance refunding. The \$1,109,282 balance of the deferred charge on refunding at June 30, 2018 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, 2018 consisted of the following:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Loss on refunding	\$ 1,196,857	\$ -	\$ 87,575	\$ 1,109,282

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 1,299,977	\$ 6,527,588	\$ 77,976	\$ 7,905,541	\$ 24,580
State principal apportionment	67,164	-	-	67,164	-
Salaries and benefits	1,159,173	-	73,120	1,232,293	-
Total	\$ 2,526,314	\$ 6,527,588	\$ 151,096	\$ 9,204,998	\$ 24,580

NOTE 10 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 119,291	\$ -	\$ 119,291
Local grants	730,915	171,714	902,629
Total	\$ 850,206	\$ 171,714	\$ 1,021,920

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 209,611,547	\$ 3,720,089	\$ 6,065,000	\$ 207,266,636	\$ 9,215,000
Bond premium	8,922,976	-	1,064,923	7,858,053	522,059
Clean energy loan	6,385,706	-	402,999	5,982,707	402,999
Construction loan	3,090,000	-	195,000	2,895,000	215,000
Accumulated vacation - net	285,442	69,218	-	354,660	-
	<u>\$ 228,295,671</u>	<u>\$ 3,789,307</u>	<u>\$ 7,727,922</u>	<u>\$ 224,357,056</u>	<u>\$ 10,355,058</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 and construction loan will be made from the building fund. The accrued vacation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued/ Accreted	Defeased/ Redeemed	Bonds Outstanding June 30, 2018
9/96	8/1/21	6.05%-6.20%	\$ 5,457,058	\$ 13,494,020	\$ 774,367	\$ 1,195,000	\$ 13,073,387
3/98	8/1/22	5.20%	2,246,345	7,565,629	490,092	-	8,055,721
5/08	8/1/26	3.00%-4.00%	9,680,000	2,925,000	-	2,320,000	605,000
8/10	8/1/35	5.50%-4.00%	24,999,924	36,653,188	2,098,096	-	38,751,284
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	4,118,710	357,534	-	4,476,244
7/11	8/1/31	4.50%-5.00%	24,550,000	19,305,000	-	2,015,000	17,290,000
3/14	8/1/30	2.25%-3.00%	4,970,000	4,470,000	-	235,000	4,235,000
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	39,580,000	-	300,000	39,280,000
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				209,611,547	3,720,089	6,065,000	207,266,636
Premium on issuance of bonds				8,922,976	-	1,064,923	7,858,053
Total				<u>\$ 218,534,523</u>	<u>\$ 3,720,089</u>	<u>\$ 7,129,923</u>	<u>\$ 215,124,689</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The bonds mature through 2048 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
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	3,285,571	10,789,795	14,075,366
2023	5,555,000	5,712,030	11,267,030
2024-2028	36,415,000	23,593,586	60,008,586
2029-2033	43,267,023	25,790,414	69,057,437
2034-2038	32,574,999	32,784,431	65,359,430
2039-2043	26,727,302	14,946,733	41,674,035
2044-2048	15,800,000	1,049,000	16,849,000
Total	176,094,922	\$ 145,682,233	\$ 321,777,155
Accretion to Date	31,171,714		
Premium	7,858,053		
	<u>\$ 215,124,689</u>		

Clean Energy Loan

During 2015-2016, 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 2015-2016, and \$5,588,636 in 2016-2017. The clean energy loan matures through 2035 as follows:

Year Ending June 30,	Principal
2019	\$ 402,999
2020	402,999
2021	402,999
2022	402,999
2023	402,999
2024-2028	2,011,574
2029-2033	1,677,155
2034-2035	278,983
Total	<u>\$ 5,982,707</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Construction Loan

During 2012-2013, 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:

Year Ending June 30,	Principal	Interest to Maturity	Total
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	315,000	49,844	364,844
2024-2027	1,575,000	102,025	1,677,025
Total	\$ 2,895,000	\$ 425,356	\$ 3,320,356

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plan:

OPEB Plan	Total Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 2,663,074	\$ 1,334,938	\$ 2,383,160

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The District's plan was administered through CalSTRS. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	75
inactive employees entitled to but not yet receiving benefit payments	773
Active employees	848

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$1,334,938 to the Plan, of which \$8,523,642 was used for current premiums.

Actuarial Assumptions

The total Net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increase	3.00	percent, average, including inflation
Investment rate of return	3.58	percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	6.5 to 3.0	percent for 2017

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net OPEB (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 7,568,789	\$ 3,857,493	\$ 3,711,296
Service cost	390,589	-	390,589
Interest	474,953	-	474,953
Employer contribution	-	1,483,175	(1,483,175)
Actual investment income	-	432,679	(432,679)
Administrative expense	-	(2,090)	2,090
Benefit payments	(523,642)	(523,642)	-
Net change in net OPEB liability	341,900	1,390,122	(1,048,222)
Balance at June 30, 2018	\$ 7,910,689	\$ 5,247,615	\$ 2,663,074

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (3%) or once percent higher (7.5%) than the current interest rate:

Discount Rate	Net OPEB Liability
1% decrease (5.5%)	\$ 3,343,529
Current discount rate (6.5%)	2,663,074
1% increase (7.5%)	2,056,909

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net/total OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower (3%) or higher (5%) than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3%)	\$ 2,341,221
Current healthcare cost trend rate (4%)	2,663,074
1% increase (5%)	3,035,789

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$232,853. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$1,334,938.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 13 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Debt Service Funds	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 400	\$ 10,400
Stores inventories	-	-	-	-	147,550	147,550
Prepaid expenditures	609,050	29,244	-	-	-	638,294
Total Nonspendable	619,050	29,244	-	-	147,950	796,244
Restricted						
Educational program	3,285,776	-	-	-	2,057,325	5,343,101
Food program	-	-	-	-	929,579	929,579
Capital projects	-	13,948,860	-	-	578,452	14,527,312
Debt services	-	-	19,825,079	9,238,515	-	29,063,594
Total Restricted	3,285,776	13,948,860	19,825,079	9,238,515	3,565,356	49,863,586
Assigned						
School carryover	3,316,589	-	-	-	-	3,316,589
Other	51,403	-	-	51,403	-	51,403
Total Assigned	3,367,992	-	-	-	-	3,367,992
Unassigned						
Remaining unassigned	7,339,141	-	-	-	-	7,339,141
Total Unassigned	7,339,141	-	-	-	-	7,339,141
Total	\$ 14,611,959	\$ 13,978,104	\$ 19,825,079	\$ 9,238,515	\$ 3,713,306	\$ 61,366,963

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, 2018, 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.

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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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 2018, 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, 2016 to June 30, 2018:

	Workers' Compensation
Liability Balance, July 1, 2016	\$ 1,567,000
Claims and changes in estimates	119,000
Liability Balance, July 1, 2017	1,686,000
Claims and changes in estimates	187,000
Liability Balance, June 30, 2018	<u>\$ 1,873,000</u>
Assets available to pay claims at June 30, 2018	<u>\$ 1,878,548</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 69,071,700	\$ 18,937,157	\$ 5,132,602	\$ 6,595,204
CalPERS	30,513,733	10,665,787	359,261	6,119,276
Total	<u>\$ 99,585,433</u>	<u>\$ 29,602,944</u>	<u>\$ 5,491,863</u>	<u>\$ 12,714,480</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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 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, 2018

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	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	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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

District's proportionate share of net pension liability	\$ 69,071,700
State's proportionate share of the net pension liability associated with the District	40,862,234
Total	<u>\$ 109,933,934</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0747 percent and 0.0751 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$6,595,200. In addition, the District recognized pension expense and revenue of \$4,113,176 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,885,384	\$ -
Net change in proportionate share of net pension liability	-	(1,839,572)
Differences between projected and actual earnings on plan investments	255,434	(1,204,659)
Differences between expected and actual experience in the measurement of the total pension liability	12,796,339	(2,088,371)
Total	<u>\$ 18,937,157</u>	<u>\$ (5,132,602)</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
2019	\$ (1,529,539)
2020	1,157,371
2021	166,910
2022	(1,634,314)
Total	<u>\$ (1,839,572)</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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 (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	\$ 3,760,730
2020	3,760,730
2021	3,319,476
2022	(651,799)
2023	(431,957)
2024	1,563
Total	<u>\$ 9,758,743</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	\$ 101,419,184
Current discount rate (7.10%)	\$ 69,071,700
1% increase (8.10%)	\$ 42,819,525

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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2016 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:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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 are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$2,262,438.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,513,733. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1278 percent and 0.1192 percent, resulting in a net increase in the proportionate share of 0.0086 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$3,261,979. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,690,497	\$ -
Net change in proportionate share of net pension liability	1,055,566	-
Differences between projected and actual earnings on plan investments	4,457,011	(359,261)
Differences between expected and actual experience in the measurement of the total pension liability	1,093,181	-
Changes of assumptions	1,369,532	-
Total	<u>\$ 10,665,787</u>	<u>\$ (359,261)</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
2019	\$ (28,602)
2020	1,217,895
2021	444,301
2022	(578,028)
Total	<u>\$ 1,055,566</u>

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,396,926
2020	2,295,631
2021	1,867,906
Total	<u>\$ 6,560,463</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 37,664,639
Current discount rate (7.15%)	\$ 30,513,733
1% increase (8.15%)	\$ 14,901,927

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 \$3,322,975, \$3,228,770, and \$2,493,559 (9.328 percent for 2017-2018, 8.828 percent for 2016-2017, 7.126 percent for 2015-2016 of annual payroll 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 in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

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, 2018.

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, 2018.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Construction Commitments

The District had construction commitments for various school sites in the amount of approximately \$13,764,090 as of June 30, 2018.

NOTE 17 - 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
2019	\$ 2,299,741
2020	2,321,958
2021	2,380,728
2022	2,056,917
2022	738,790
2023-2027	3,670,669
2028-2032	4,465,930
2033-2037	5,433,486
2038-2042	6,610,667
2043-2044	2,257,101
Total	<u><u>\$ 32,235,987</u></u>

NOTE 18 - 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, 2018, the District made payments of \$362,303 and \$774,678 to the SBASIA and the WVSTA, respectively for services received.

CAMPBELL UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 19 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	\$ (28,623,656)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(6,802,361)</u>
Net Position - Beginning as Restated	<u>\$ (35,426,017)</u>

NOTE 20 - ROSEMARY ELEMENTARY CHARTER SCHOOL CLOSURE

Rosemary Elementary Charter School (the "Charter School") was approved by the District pursuant to Education Code Section 47605. The Charter School are operated by Campbell Union School District. It's financial activities of the charter schools are included in the General Fund of the District. During the year, the District closed out Rosemary Elementary's charter school status and bring the school into the District. The accounting treatment of Rosemary Elementary School for future years will be the same as current year, and included in the General Fund of the District.

REQUIRED SUPPLEMENTARY INFORMATION

CAMPBELL UNION SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Positive (Negative) Final to Actual
	Original	Final	Actual	
REVENUES				
Local control funding formula	\$ 70,202,483	\$ 72,227,537	\$ 72,227,537	\$ -
Federal sources	3,323,870	3,028,717	3,028,717	-
Other state sources	5,419,927	7,681,140	7,681,140	-
Other local sources	6,119,412	7,439,183	7,439,183	-
Total Revenues	85,065,692	90,376,577	90,376,577	-
EXPENDITURES				
Current				
Certificated salaries	40,713,542	41,666,811	41,666,811	-
Classified salaries	13,530,285	13,440,646	13,440,646	-
Employee benefits	19,591,781	20,980,680	20,980,680	-
Books and supplies	4,605,225	4,357,685	4,357,685	-
Services and operating expenditures	6,378,336	8,336,169	8,336,169	-
Other outgo	95,326	383,541	383,541	-
Capital outlay	507,978	947,131	947,131	-
Total Expenditures	85,422,473	90,112,663	90,112,663	-
Excess of Revenues				
Over Expenditures	(356,781)	263,914	263,914	-
Other Financing Sources (Uses)				
Transfers in	475,000	940,799	940,799	-
Transfers out	600,000	(2,600,000)	(2,600,000)	-
Net Financing Uses	(125,000)	(1,659,201)	(1,659,201)	-
NET CHANGE IN				
FUND BALANCES	(481,781)	(1,395,287)	(1,395,287)	-
Fund Balance - Beginning	15,955,844	15,955,843	15,955,843	-
Fund Balance - Ending	\$ 15,474,063	\$ 14,560,556	14,560,556	\$ -
Special Reserve Fund Balance			51,403	
Fund Balance - Ending (GAAP Basis)			\$ 14,611,959	

The accompanying note to required supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

MEASUREMENT DATE, JUNE 30,	2017
Total OPEB Liability	
Service cost	\$ 390,589
Interest	474,953
Benefit payments	(523,642)
Net change in total OPEB liability	341,900
Total OPEB liability - beginning	7,568,789
Total OPEB liability - ending (a)	<u>\$ 7,910,689</u>
Plan fiduciary Net Position	
Contributions - employer	\$ 1,483,175
Net investment income	432,679
Benefit payments	(523,642)
Administrative expense	(2,090)
Net Change in plan fiduciary net position	1,390,122
Plan fiduciary net position - beginning	3,857,493
Plan fiduciary net position - ending (b)	<u>\$ 5,247,615</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 2,663,074</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>66.34%</u>
Covered-employee payroll	<u>56,326,859</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>4.73%</u>

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

The 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, 2018

MEASUREMENT DATE, JUNE 30,	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.07470%	0.07510%	0.07795%
District's proportionate share of the net pension liability	\$ 69,071,700	\$ 60,712,416	\$ 52,477,611
State's proportionate share of the net pension liability associated with the District	40,862,234	34,562,496	27,754,871
Total	\$ 109,933,934	\$ 95,274,912	\$ 80,232,482
District's covered payroll	\$ 35,433,123	\$ 37,639,046	\$ 33,125,202
District's proportionate share of the net pension liability as a percentage of its covered payroll	194.94%	161.30%	158.42%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%
CalPERS			
District's proportion of the net pension liability	0.12780%	0.11920%	0.11632%
District's proportionate share of the net pension liability	\$ 30,513,733	\$ 23,543,713	\$ 17,145,131
District's covered payroll	\$ 16,290,598	\$ 14,315,077	\$ 12,879,989
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.31%	164.47%	133.11%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%

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

The accompanying note to required supplementary information.

2014

0.07871%

\$ 45,998,651

27,775,972

\$ 73,774,623

\$ 34,992,947

131.45%

77%

0.11342%

\$ 12,876,020

\$ 12,310,080

104.60%

83%

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016
CalSTRS			
Contractually required contribution	\$ 5,885,384	\$ 5,036,232	\$ 4,035,819
Contributions in relation to the contractually required contribution	5,885,384	5,036,232	4,035,819
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 40,794,793	\$ 40,036,262	\$ 37,639,046
Contributions as a percentage of covered payroll	14.43%	12.58%	10.72%
CalPERS			
Contractually required contribution	\$ 2,690,497	\$ 2,262,438	\$ 1,698,474
Contributions in relation to the contractually required contribution	2,690,497	2,262,438	1,698,474
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 17,323,400	\$ 16,290,598	\$ 14,315,077
Contributions as a percentage of covered payroll	15.53%	13.89%	11.86%

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

The accompanying note to required supplementary information.

<u>2015</u>	
\$ 3,244,082	
<u>3,244,082</u>	
<u>\$ -</u>	
<u>\$ 33,125,202</u>	
<u>9.79%</u>	
\$ 1,473,738	
<u>1,473,738</u>	
<u>\$ -</u>	
<u>\$ 12,879,989</u>	
<u>11.44%</u>	

CAMPBELL UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This/These schedule(s) 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 Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

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 of Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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, 2018

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	\$ 1,042,657
Title II, Teacher Quality	84.367	14341	172,898
Title III, Limited English Proficiency (LEP)	84.365	14346	226,309
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement	84.027	13379	1,188,555
Basic Local Assistance Entitlement Private Schools ISP's	84.027	10115	3,749
Preschool Grants	84.173	13430	54,518
Preschool Local Entitlement	84.027A	13682	168,882
Preschool Staff Development	84.173A	13431	387
Total Special Education Cluster			<u>1,416,091</u>
Total U.S. Department of Education			<u>2,857,955</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391/13396	1,285,558
Basic School Breakfast	10.553	13390	239,289
Meal Supplements	10.556	13528	3,078
Fair Market Value of Commodities ¹	10.555	³	90,899
Total Child Nutrition Cluster			<u>1,618,824</u>
Child and Adult Care Food Program	10.558	13666	340,717
Total U.S. Department of Agriculture			<u>1,959,541</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through CDE:			
Child Development: Federal Child Care Center-Based	93.596	13609	368,431
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	170,762
Total U.S. Department of Health and Human Services			<u>539,193</u>
Total Expenditures of Federal Awards			<u>\$5,356,689</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 \$1,107,810 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, 2018

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, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	-	0.11
Fourth through sixth	0.07	0.28
Seventh and eighth	342.87	339.87
Total Regular ADA	342.94	340.26
Extended Year Special Education		
Transitional kindergarten through third	1.94	1.94
Fourth through sixth	0.82	0.82
Seventh and eighth	0.43	0.43
Total Extended Year Special Education	3.19	3.19
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.59	0.62
Fourth through sixth	2.16	2.16
Seventh and eighth	4.35	4.55
Total Special Education, Nonpublic, Nonsectarian Schools	7.10	7.33
Extended Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.34	0.34
Seventh and eighth	0.91	0.91
Total Extended Special Education, Nonpublic, Nonsectarian Schools	1.25	1.25
Total District ADA	354.48	352.03
Total Charter School ADA	6,707.64	6,709.91
Grand Total	7,062.12	7,061.94

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE – CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2018

CHARTER SCHOOLS	Sherman Oaks	Village	Lynhaven	Blackford
Second Period Report				
Classroom-Based				
Transitional kindergarten through third	354.33	185.32	397.69	335.61
Fourth through sixth	180.68	76.19	165.69	159.20
Seventh and eighth	-	-	-	-
Total Classroom-Based	535.01	261.51	563.38	494.81
Non Classroom-Based				
Transitional kindergarten through third	0.28	0.46	0.36	0.43
Fourth through sixth	0.11	0.35	0.07	0.10
Seventh and eighth	-	-	-	-
Total Non Classroom-Based	0.39	0.81	0.43	0.53
Total Charter School	535.40	262.32	563.81	495.34
Annual Report				
Classroom-Based				
Transitional kindergarten through third	353.54	185.13	397.00	335.25
Fourth through sixth	180.26	76.33	166.12	158.09
Seventh and eighth	-	-	-	-
Total Classroom-Based	533.80	261.46	563.12	493.34
Non Classroom-Based				
Transitional kindergarten through third	0.26	0.53	0.32	0.48
Fourth through sixth	0.10	0.34	0.05	0.08
Seventh and eighth	-	-	-	-
Total Non Classroom-Based	0.36	0.87	0.37	0.56
Total Charter School	534.16	262.33	563.49	493.90

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>
432.30	476.36	432.83	362.00	329.06	-	-	3,305.50
218.14	163.17	195.62	171.30	170.59	401.20	420.44	2,322.22
-	-	-	-	-	490.59	554.65	1,045.24
<u>650.44</u>	<u>639.53</u>	<u>628.45</u>	<u>533.30</u>	<u>499.65</u>	<u>891.79</u>	<u>975.09</u>	<u>6,672.96</u>
0.83	1.39	1.70	1.44	-	-	10.10	16.99
0.18	0.39	0.44	0.52	-	0.09	6.17	8.42
-	-	-	-	-	0.03	9.24	9.27
<u>1.01</u>	<u>1.78</u>	<u>2.14</u>	<u>1.96</u>	<u>-</u>	<u>0.12</u>	<u>25.51</u>	<u>34.68</u>
<u>651.45</u>	<u>641.31</u>	<u>630.59</u>	<u>535.26</u>	<u>499.65</u>	<u>891.91</u>	<u>1,000.60</u>	<u>6,707.64</u>
432.66	477.13	432.54	363.00	328.81	-	-	3,305.06
218.22	163.96	195.48	171.28	170.43	401.34	419.99	2,321.50
-	-	-	-	-	493.29	554.94	1,048.23
<u>650.88</u>	<u>641.09</u>	<u>628.02</u>	<u>534.28</u>	<u>499.24</u>	<u>894.63</u>	<u>974.93</u>	<u>6,674.79</u>
0.72	1.10	1.70	1.41	-	-	10.33	16.85
0.14	0.36	0.45	0.60	-	0.09	6.43	8.64
-	-	-	-	-	0.03	9.60	9.63
<u>0.86</u>	<u>1.46</u>	<u>2.15</u>	<u>2.01</u>	<u>-</u>	<u>0.12</u>	<u>26.36</u>	<u>35.12</u>
<u>651.74</u>	<u>642.55</u>	<u>630.17</u>	<u>536.29</u>	<u>499.24</u>	<u>894.75</u>	<u>1,001.29</u>	<u>6,709.91</u>

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
District (Campbell Middle School)				
Grade 5	54,000	59,072	180	Complied
Grade 6	54,000	59,072	180	Complied
Grade 7	54,000	59,072	180	Complied
Grade 8	54,000	59,072	180	Complied
Sherman Oaks Charter Elementary School				
Kindergarten	36,000	55,685	180	Complied
Grade 1	50,400	55,880	180	Complied
Grade 2	50,400	52,305	180	Complied
Grade 3	50,400	52,305	180	Complied
Grade 4	54,000	52,305	180	Complied
Grade 5	54,000	55,746	180	Complied
Grade 6	54,000	55,746	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	55,735	180	Complied
Grade 1	50,400	55,735	180	Complied
Grade 2	50,400	52,135	180	Complied
Grade 3	50,400	52,135	180	Complied
Grade 4	54,000	55,735	180	Complied
Grade 5	54,000	55,735	180	Complied
Blackford Charter Elementary School				
Kindergarten	36,000	55,785	180	Complied
Grade 1	50,400	55,785	180	Complied
Grade 2	50,400	52,185	180	Complied
Grade 3	50,400	52,185	180	Complied
Grade 4	54,000	55,735	180	Complied
Grade 5	54,000	55,735	180	Complied

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Castlemont Charter Elementary School				
Kindergarten	36,000	56,100	180	Complied
Grade 1	50,400	56,100	180	Complied
Grade 2	50,400	52,040	180	Complied
Grade 3	50,400	55,140	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	55,920	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	55,984	180	Complied
Grade 1	50,400	55,684	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, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Rosemary Charter Elementary School				
Kindergarten	36,000	55,735	180	Complied
Grade 1	50,400	52,135	180	Complied
Grade 2	50,400	52,135	180	Complied
Grade 3	50,400	55,735	180	Complied
Grade 4	54,000	55,735	180	Complied
Monroe Charter Middle School				
Grade 5	54,000	59,579	180	Complied
Grade 6	54,000	59,579	180	Complied
Grade 7	54,000	59,579	180	Complied
Grade 8	54,000	59,579	180	Complied
Rolling Hills Charter Middle School				
Grade 5	54,000	59,590	180	Complied
Grade 6	54,000	59,590	180	Complied
Grade 7	54,000	59,590	180	Complied
Grade 8	54,000	59,590	180	Complied

CAMPBELL UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, Unaudited Actuals	\$ 14,560,556	\$ 51,403
As required by GASB 54, the Special Reserve-Other Fund is combined with General Fund in the Audit Report	51,403	(51,403)
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 14,611,959</u>	<u>\$ -</u>

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND ³				
Revenues	\$ 91,230,661	\$ 90,376,577	\$ 87,947,678	\$ 88,410,476
Other sources and transfers in	560,000	940,799	-	96,419
Total Revenues and Other Sources	91,790,661	91,317,376	87,947,678	88,506,895
Expenditures	89,889,753	90,112,663	86,640,947	80,209,128
Other uses and transfers out	40,000	2,600,000	4,357,824	10,100,000
Total Expenditures and Other Uses	89,929,753	92,712,663	90,998,771	90,309,128
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,860,908	\$ (1,395,287)	\$ (3,051,093)	\$ (1,802,233)
ENDING FUND BALANCE	\$ 15,861,464	\$ 14,560,843	\$ 15,955,843	\$ 19,006,936
AVAILABLE RESERVES ²	\$ 10,430,510	\$ 7,339,141	\$ 7,463,079	\$ 9,645,707
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	11.60%	7.92%	8.20%	10.68%
LONG-TERM DEBT	\$ 316,250,505	\$ 326,605,563	\$ 312,551,800	\$ 266,573,364
K-8 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	6,961	7,062	7,215	7,340

The General Fund balance has decreased by \$4,446,093 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$1,860,908. 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 all of past three years, but anticipates an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by \$60,032,199 over the past two years.

Average daily attendance has decreased by 278 over the past two years. A decrease of 101 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 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.

CAMPBELL UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2018

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
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

CAMPBELL UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 1,765,846	\$ 527,838	\$ 569,530	\$ 2,863,214
Receivables	589,681	522,166	2,175	1,114,022
Due from other funds	-	1,154	6,747	7,901
Stores inventories	-	147,550	-	147,550
Total Assets	<u>\$ 2,355,527</u>	<u>\$ 1,198,708</u>	<u>\$ 578,452</u>	<u>\$ 4,132,687</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65,148	\$ 85,948	\$ -	\$ 151,096
Due to other funds	60,940	35,631	-	96,571
Unearned revenue	171,714	-	-	171,714
Total Liabilities	<u>297,802</u>	<u>121,579</u>	<u>-</u>	<u>419,381</u>
Fund Balances:				
Nonspendable	400	147,550	-	147,950
Restricted	2,057,325	929,579	578,452	3,565,356
Total Fund Balances	<u>2,057,725</u>	<u>1,077,129</u>	<u>578,452</u>	<u>3,713,306</u>
Total Liabilities and Fund Balances	<u>\$ 2,355,527</u>	<u>\$ 1,198,708</u>	<u>\$ 578,452</u>	<u>\$ 4,132,687</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, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds
REVENUES				
Federal sources	\$ 368,431	\$ 1,868,642	\$ -	\$ 2,237,073
Other state sources	2,565,851	112,584	-	2,678,435
Other local sources	4,680,927	728,765	1,744,650	7,154,342
Total Revenues	7,615,209	2,709,991	1,744,650	12,069,850
EXPENDITURES				
Current				
Instruction	4,158,234	-	-	4,158,234
Supervision of instruction	480,971	-	-	480,971
School site administration	777,596	-	-	777,596
Pupil services:				
Food services	-	2,573,246	-	2,573,246
Administration:				
Other Administration	273,339	123,541	-	396,880
Plant services	324,589	-	-	324,589
Total Expenditures	6,014,729	2,696,787	-	8,711,516
Excess (Deficiency) of Revenues				
Over Expenditures	1,600,480	13,204	1,744,650	3,358,334
Other Financing Sources (Uses)				
Transfers out	(1,460,000)	-	(4,000,000)	(5,460,000)
NET CHANGE IN FUND BALANCES	140,480	13,204	(2,255,350)	(2,101,666)
Fund Balance - Beginning	1,917,245	1,063,925	2,833,802	5,814,972
Fund Balance - Ending	\$ 2,057,725	\$ 1,077,129	\$ 578,452	\$ 3,713,306

See accompanying note to supplementary information.

CAMPBELL UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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:		\$ 6,373,600
Commodities are not recorded on the financial statement	10.555	90,899
Federal reimbursement for Build America Bonds		(1,107,810)
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,356,689</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 1986-1987 requirement, as required by *Education Code* Section 46201.

CAMPBELL UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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.

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INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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 (the "District") as of and for the year ended June 30, 2018, 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 16, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

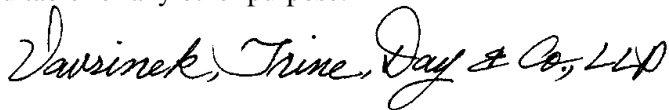
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Palo Alto, California
November 16, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT 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 (the "District") 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 major Federal programs for the year ended June 30, 2018. 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 the 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, 2018.

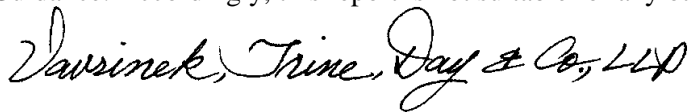
Report on Internal Control Over Compliance

Management of the 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 the 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 16, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 (the "District") compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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 *2017-2018 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, 2018.

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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
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
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

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance 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 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 an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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

Palo Alto, California
November 16, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMPBELL UNION SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018**

None reported.

CAMPBELL UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

CAMPBELL UNION SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

CAMPBELL UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

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