

SANTA CLARA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

SANTA CLARA UNIFIED SCHOOL DISTRICT

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

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	13
STATEMENT OF ACTIVITIES.....	14
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	18
STATEMENT OF NET POSITION - INTERNAL SERVICE FUND - SELF- INSURANCE FUND.....	19
STATEMENT OF CHANGE IN NET POSITION - INTERNAL SERVICE FUND - SELF-INSURANCE FUND.....	20
STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND - SELF- INSURANCE FUND.....	21
STATEMENT OF FIDUCIARY NET POSITION - TRUST AND AGENCY FUNDS.....	22
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - TRUST FUNDS	23
NOTES TO FINANCIAL STATEMENTS.....	25

SANTA CLARA UNIFIED SCHOOL DISTRICT

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

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

GENERAL FUND BUDGETARY COMPARISON SCHEDULE.....	54
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB) LIABILITY.....	55
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	56
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	58
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	60

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	61
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	62
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND.....	63
ORGANIZATION.....	65
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	66
SCHEDULE OF INSTRUCTIONAL TIME.....	67
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	68
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	70
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	71
SCHEDULE OF CHARTER SCHOOLS.....	72
NOTES TO SUPPLEMENTARY INFORMATION.....	73

SANTA CLARA UNIFIED SCHOOL DISTRICT

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

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	75
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 <i>GOVERNMENT AUDITING STANDARDS</i>	78
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	80
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	82
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	86

INDEPENDENT AUDITOR'S REPORT

Board of Education
Santa Clara Unified School District
Santa Clara, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Summary of Opinions

<u>Opinion Unit:</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Building Fund	Unmodified
Bond Interest and Redemption Fund	Unmodified
Aggregate Remaining Funds	Unmodified
Aggregate discretely presented component units	Adverse

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The basic financial statements referred to in the first paragraph do not include financial data for Santa Clara Unified School District's legally separate aggregate discretely presented component units, Santa Clara Teacher Housing Foundation and Santa Clara Teacher Mortgage Assistance Foundation. Accounting principles generally accepted in the United States of America require the financial data for those aggregate discretely presented component units to be discretely presented with the financial data of Santa Clara Unified School District unless Santa Clara Unified School District also issues financial statements for Santa Clara Unified School District that include the financial data for its aggregate discretely presented component units. Santa Clara Unified School District has not issued such financial statements. The assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units that are required to be presented under accounting principles generally accepted in the United States of America cannot practicably be quantified.

Adverse opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Santa Clara Unified School District as of June 30, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Unified 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

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning governmental activities net position of \$3,678,426. Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 12, the General Fund Budgetary Comparison Schedule, Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 54 to 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Clara Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matter discussed above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of Santa Clara Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Clara Unified School District's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Sacramento, California
December 6, 2018



SANTA CLARA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This management's discussion and analysis of Santa Clara Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ending June 30, 2018 are as follows:

- Total net position was \$246.7 million which represents an increase of \$8.2 million or 3.4%.
- Property taxes accounted for \$262.8 million or 74% of total revenues. Program specific revenues in the form of operating grants, State aid, contributions, and charges for services accounted for \$91.5 million or 26% of the total revenues.
- Total expenses were \$346.1 million of which 75% were for direct instructional and pupil services.
- Net capital assets increased \$14.3 million or 2.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 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 capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Santa Clara Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's Net Position and changes in Net Position. Net Position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District reports all of its services in the following category:

Governmental Activities - This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and employee retiree benefits. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was \$246.7 million for the fiscal year ended June 30, 2018. Of this amount, \$189.7 million was the Net Investment in Capital Assets, \$138.9 million was Restricted Net Position, and (\$81.8) million was the Unrestricted Net Position, or the residual amount not included in the other two components of net position. Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those resources for day-to-day operations. The analysis below summarizes the District's Net Position.

Table 1

	Governmental Activities		
	(in thousands)		
	<u>2018</u>	<u>2017</u>	<u>Difference</u>
Assets			
Current and other assets	\$ 566,848	\$ 336,037	230,811
Capital assets	<u>647,635</u>	<u>633,332</u>	<u>14,303</u>
Total Current Assets	1,214,483	969,369	245,114
 Deferred Outflows of Resources	 123,287	 62,789	 60,498
 Liabilities			
Current liabilities	35,696	32,660	3,036
Long-term liabilities	<u>1,045,600</u>	<u>752,142</u>	<u>293,458</u>
Total Liabilities	1,081,296	784,802	296,494
 Deferred Inflows of Resources	 9,789	 5,178	 4,611
 Net Position			
Net investment in capital assets	189,659	188,341	1,318
Restricted	138,863	121,947	16,916
Unrestricted	(81,837)	(68,109)	(13,728)
Restatement-GASB 75 Implementation	<u>-</u>	<u>(3,678)</u>	<u>3,678</u>
Total Net Position	<u>\$ 246,685</u>	<u>\$ 238,500</u>	<u>\$ 8,185</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. The analysis below shows the changes in Net Position as a result of governmental activities.

Table 2

	Governmental Activities		
	(in thousands)		
Revenues	2018	2017	Difference
Program revenues:			
Charges for services	\$ 8,568	\$ 7,743	\$ 825
Operating grants and contributions	49,454	28,435	21,019
General revenues:			
Property Taxes	262,779	254,080	8,699
Federal and state aid not restricted	18,370	19,475	(1,105)
Other general revenues	15,074	22,061	(6,987)
Total Revenues	\$ 354,245	\$ 331,794	\$ 22,451
Expenses			
Instruction	\$ 192,185	\$ 165,446	\$ 26,739
Instruction-related	41,023	36,218	4,805
Pupil services	26,363	23,509	2,854
Administration	16,473	14,260	2,213
Plant services	27,157	15,058	12,099
Other	42,859	19,620	23,239
Total Expenses	346,060	274,112	71,948
Change in Net Position	\$ 8,185	\$ 57,682	

Governmental Activities

As reported in the *Statement of Activities*, the cost of all the District's governmental activities in 2017-18 was \$346.1 million. The total amount that taxpayers paid for these activities through local taxes was \$ 262.8 million. The District also collected \$8.6 million in charges for services from those benefiting from the programs. Other governmental agencies and organizations subsidized certain programs with grants and contributions of \$49.5 million. The remaining portion of the District's governmental activities consist of \$33.4 million in unrestricted State and Federal funds, and other local revenue.

The following analysis summarizes the total cost and net cost of each of the District's largest functions: direct instructional services, pupil services, administration, plant services, and all other functions. The net cost shows the actual financial cost paid by the District's taxpayers for each of these functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Table 3

	Cost of Services			
	(in thousands)			
	2018		2017	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Instruction	\$ 192,185	\$ 171,100	\$ 165,446	\$ 148,777
Instruction-related	41,023	36,913	36,218	33,311
Pupil services	26,363	20,005	23,509	17,418
Administration	16,473	15,978	14,260	13,723
Plant services	27,157	15,438	15,058	10,341
Other	42,859	28,604	19,621	14,364
Total	<u>\$ 346,060</u>	<u>\$ 288,038</u>	<u>\$ 274,112</u>	<u>\$ 237,934</u>

THE DISTRICT'S FUNDS

The District's governmental funds had a combined fund balance of \$541.8 million, an increase of \$233 million from the previous year.

Table 4

	Balances and Activity			
	(in thousands)			
	July 1, 2017	Revenues/ Financing Sources	Expenditures/ Financing Uses	June 30, 2018
General Fund	\$ 110,626	\$ 261,987	\$ 254,287	\$ 118,326
Adult Education Fund	971	5,310	5,310	971
Child Development Fund	1,653	8,372	8,011	2,014
Cafeteria Fund	776	6,399	6,758	417
Deferred Maintenance Fund	7,286	64	329	7,021
Building Fund	87,481	234,552	27,140	294,893
Capital Facilities Fund	50,479	2,834	3,463	49,850
Special Reserve Fund for Capital Outlay	5,510	1,893	571	6,832
Bond Interest Redemption Fund	43,979	250,357	232,907	61,429
Total	<u>\$ 308,761</u>	<u>\$ 771,768</u>	<u>\$ 538,776</u>	<u>\$ 541,753</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The primary reasons for these increases/decreases are:

- The General Fund balance increase of \$7.7 million was primarily due to increases from the sale of former Redevelopment Agency properties.
- A combined decrease in the Child Development, Child Nutrition, Deferred Maintenance, and Special Reserve for Capital Outlay funds from operations.
- Building Fund balance increased \$207.4 million due to the issuance and refunding of bonds and from construction projects at multiple sites in accordance with the specifications of the bond funds.
- Capital Facilities Fund decreased of \$.63 million as a result of collecting less developer fees from local building projects.
- Bond Interest and Redemption Fund balance increased \$17.5 million. This fund is controlled by Santa Clara County to repay the District's bonds and associated debt.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California Law and is based on the modified accrual basis of accounting. During the course of the 2017-18 fiscal year, the District reported revisions in its General Fund budget in December based on October 31, 2017 data and in March based on January 31, 2018 data. The General Fund budget includes a 7% General Fund reserve to mitigate risks from property tax fluctuations in addition to the State required 3% reserve for economic uncertainties.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

At June 30, 2018, the District had \$647.6 million in capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$14.3 million or 2.3% from the prior year.

Table 5

Capital Assets Net of Depreciation
(in thousands)

	2018	2017	Difference
Land	\$ 52,058	\$ 52,058	\$ -
Construction in progress	174,812	168,395	6,417
Land Improvements	4,410	4,438	(28)
Buildings	409,377	400,416	8,961
Equipment	6,978	8,025	(1,047)
Total	<u>\$ 647,635</u>	<u>\$ 633,332</u>	<u>\$ 14,303</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Long-Term Liabilities

At June 30, 2018, the District had \$1,041.8 million in long-term obligations outstanding versus \$755 million last year, an increase of 38 percent. Those obligations consisted of:

Table 6

Long-term Liabilities
(in thousands)

	2018	2017*	Difference
General obligation bonds (including unamortized premium)	\$ 752,373	\$ 526,852	\$ 225,521
Certificate of participation	13,740	13,795	(55)
Net Pension Liability	261,388	199,561	61,827
Other postemployment benefits	13,171	13,535	(364)
Compensated absences	1,153	1,224	(71)
Total	\$ 1,041,825	\$ 754,967	\$ 286,858

*As restated due to GASB 75

ECONOMIC FACTORS IMPACTING THE DISTRICT

In considering the District’s budget for the 2018-19 year, the governing board and management utilized the following data:

- Secured property taxes are projected to grow 9.2% and Unsecured property taxes are projected remain unchanged.
- Redevelopment residual funds are projected to increase by 1%.
- Salary and benefits account for 83.3% of the General Fund budget (excluding transfers to other funds) and do not include any adjustments for future collective bargaining salary settlements.
- Employee benefits for State Teacher Retirement System (CalSTRS) increased in 2018-19 from 14.43% percent to 16.28%; and Public Employee Retirement System (CalPERS) increased from 15.53% to 18.06%.
- In November 2018, the voters within the District’s boundaries voted to approve Measure BB, authorizing issuance of \$720 million General Obligation bonds to fund bond projects that address critical facility needs, classroom and school site expansion, high priority modernization and need for new schools.
- The District’s 70-unit apartment housing program developed on District-owned property (Teacher Housing Foundation) provides reduced rents to recruit and retained qualified teachers. Construction was financed through Certificates of Participation, and current rents are used to pay interest and principal payments as they come due. The Teacher Mortgage Assistance Program was initiated to assist teachers in buying a home; the program is currently not lending funds. However, the program continues to collect repayments of existing loans.

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 Eric Dill, Chief Business Official, Santa Clara Unified School District, 1889 Lawrence Road, Santa Clara 95051.

BASIC FINANCIAL STATEMENTS

SANTA CLARA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 555,248,176
Receivables	10,557,815
Prepaid expenses	632,032
Stores inventory	409,852
Non-depreciable capital assets (Note 4)	226,870,607
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>420,764,751</u>
Total assets	<u>1,214,483,233</u>
DEFERRED OUTFLOWS	
Deferred outflows of resources - pensions (Notes 8 and 9)	106,019,558
Deferred outflows of resources - OPEB (Note 10)	692,710
Deferred loss from refunding of debt	<u>16,574,449</u>
Total deferred outflows	<u>123,286,717</u>
LIABILITIES	
Accounts payable	30,481,309
Unearned revenue	3,955,708
Unpaid claims and claim adjustment expenses, current (Note 5)	1,258,500
Long-term liabilities:	
Unpaid claims and claim adjustment expenses, less current portion (Note 5)	3,775,500
Due within one year (Note 6)	43,962,761
Due after one year (Note 6)	<u>997,862,124</u>
Total liabilities	<u>1,081,295,902</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	9,003,000
Deferred inflows of resources - OPEB (Note 10)	<u>786,023</u>
Total deferred inflows	<u>9,789,023</u>
NET POSITION	
Net investment in capital assets	189,659,086
Restricted:	
Legally restricted programs	17,421,269
Capital projects	60,012,086
Debt service	61,429,479
Unrestricted	<u>(81,836,895)</u>
Total net position	<u>\$ 246,685,025</u>

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

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

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 192,185,338	\$ 540,427	\$ 20,545,076	\$ -	\$ (171,099,835)
Instruction-related services:					
Supervision of instruction	14,684,045	11,849	2,416,263	-	(12,255,933)
Instructional library, media and technology	2,785,132	-	62,857	-	(2,722,275)
School site administration	23,553,732	58,101	1,561,095	-	(21,934,536)
Pupil services:					
Home-to-school transportation	7,832,650	-	-	-	(7,832,650)
Food services	7,145,284	2,265,327	3,462,443	-	(1,417,514)
All other pupil services	11,384,534	-	629,359	-	(10,755,175)
General administration:					
Data processing	4,801,941	175	4,477	-	(4,797,289)
All other general administration	11,671,471	81,526	408,861	-	(11,181,084)
Plant services	27,157,065	2,046,291	9,672,613	-	(15,438,161)
Enterprise activities	135,948	-	-	-	(135,948)
Community services	288,402	11,769	35,324	-	(241,309)
Interest on long-term liabilities	41,808,511	-	-	-	(41,808,511)
Other outgo	626,552	3,552,354	10,655,544	-	13,581,346
	<u>\$ 346,060,605</u>	<u>\$ 8,567,819</u>	<u>\$ 49,453,912</u>	<u>\$ -</u>	<u>(288,038,874)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					195,922,076
Taxes levied for debt service					51,457,227
Taxes levied for other specific purposes					15,400,357
Federal and state aid not restricted to specific purposes					18,370,519
Interest and investment earnings					1,484,448
Miscellaneous					13,589,108
					<u>296,223,735</u>
					<u>8,184,861</u>
					242,178,590
					<u>(3,678,426)</u>
					<u>238,500,164</u>
					<u>\$ 246,685,025</u>

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 123,046,069	\$ 291,562,693	\$ 61,247,626	\$ 66,461,572	\$ 542,317,960
Cash awaiting deposit	213,948	-	-	888,504	1,102,452
Cash in revolving fund	40,000	-	-	-	40,000
Cash with fiscal agent	-	4,853	-	967,126	971,979
Receivables	5,114,622	3,347,375	181,853	1,529,848	10,173,698
Due from grantor government	267,640	-	-	-	267,640
Prepaid expenditures	398,699	233,333	-	-	632,032
Due from other funds	1,764,787	7,351	-	114,983	1,887,121
Stores inventory	<u>171,023</u>	<u>-</u>	<u>-</u>	<u>238,829</u>	<u>409,852</u>
Total assets	<u>\$ 131,016,788</u>	<u>\$ 295,155,605</u>	<u>\$ 61,429,479</u>	<u>\$ 70,200,862</u>	<u>\$ 557,802,734</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 9,268,328	\$ 205,487	\$ -	\$ 721,589	\$ 10,195,404
Due to grantor governments	27,209	-	-	-	27,209
Unearned revenue	3,276,462	-	-	667,167	3,943,629
Due to other funds	<u>119,075</u>	<u>57,459</u>	<u>-</u>	<u>1,706,694</u>	<u>1,883,228</u>
Total liabilities	<u>12,691,074</u>	<u>262,946</u>	<u>-</u>	<u>3,095,450</u>	<u>16,049,470</u>
Fund balances:					
Nonspendable	609,722	233,333	-	238,829	1,081,884
Restricted	6,997,977	294,659,326	61,429,479	66,866,583	429,953,365
Assigned	71,295,096	-	-	-	71,295,096
Unassigned	<u>39,422,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,422,919</u>
Total fund balances	<u>118,325,714</u>	<u>294,892,659</u>	<u>61,429,479</u>	<u>67,105,412</u>	<u>541,753,264</u>
Total liabilities and fund balances	<u>\$ 131,016,788</u>	<u>\$ 295,155,605</u>	<u>\$ 61,429,479</u>	<u>\$ 70,200,862</u>	<u>\$ 557,802,734</u>

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

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

Total fund balances - Governmental Funds		\$ 541,753,264
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$789,671,560 and the accumulated depreciation is \$142,036,202 (Note 4).		647,635,358
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 June 30, 2018 consisted of (Note 6):		
General Obligation Bonds	\$ (706,105,000)	
Unamortized premiums	(46,268,414)	
Certificates of Participation	(13,740,000)	
Net pension liability (Notes 8 and 9)	(261,388,000)	
Other postemployment benefits (Note 10)	(13,170,952)	
Compensated absences	<u>(1,152,519)</u>	
		(1,041,824,885)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(20,257,898)
In governmental funds, deferred outflows of resources resulting from defeasance of debt are not recorded. In the Statement of Net Position, the difference between reacquisition price and the net carrying amount of the retired debt are reported.		16,574,449
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).		
Deferred outflows of resources relating to pensions	\$ 106,019,558	
Deferred inflows of resources relating to pensions	<u>(9,003,000)</u>	
		97,016,558
In government funds, deferred outflows and inflows of resources relating to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to OPEB are reported (Note 10).		
Deferred outflows of resources relating to OPEB	\$ 692,710	
Deferred inflows of resources relating to OPEB	<u>(786,023)</u>	
		(93,313)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position for the internal service fund is:		<u>5,881,492</u>
Total net position - governmental activities		<u>\$ 246,685,025</u>

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

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 12,779,911	\$ -	\$ -	\$ -	\$ 12,779,911
Local sources	<u>194,526,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,526,852</u>
Total LCFF	<u>207,306,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,306,763</u>
Federal sources	5,959,749	-	1,112,034	3,710,238	10,782,021
Other state sources	20,896,199	-	107,357	4,609,320	25,612,876
Other local sources	<u>27,320,569</u>	<u>1,183,688</u>	<u>51,732,219</u>	<u>15,277,264</u>	<u>95,513,740</u>
Total revenues	<u>261,483,280</u>	<u>1,183,688</u>	<u>52,951,610</u>	<u>23,596,822</u>	<u>339,215,400</u>
Expenditures:					
Current:					
Certificated salaries	119,321,897	-	-	3,485,926	122,807,823
Classified salaries	40,934,910	784,157	-	8,265,989	49,985,056
Employee benefits	55,419,820	278,083	-	4,273,125	59,971,028
Books and supplies	11,754,115	14,710	-	3,132,933	14,901,758
Contract services and operating expenditures	23,004,491	1,958,385	-	1,356,283	26,319,159
Other outgo	626,552	-	-	-	626,552
Capital outlay	1,950,522	24,104,386	-	2,870,444	28,925,352
Debt service:					
Principal retirement	-	-	29,665,000	55,000	29,720,000
Interest	<u>-</u>	<u>-</u>	<u>19,066,685</u>	<u>498,438</u>	<u>19,565,123</u>
Total expenditures	<u>253,012,307</u>	<u>27,139,721</u>	<u>48,731,685</u>	<u>23,938,138</u>	<u>352,821,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,470,973</u>	<u>(25,956,033)</u>	<u>4,219,925</u>	<u>(341,316)</u>	<u>(13,606,451)</u>
Other financing sources (uses):					
Transfers in	504,043	-	-	1,274,797	1,778,840
Transfers out	(1,274,797)	-	-	(504,043)	(1,778,840)
Proceeds from the issuance of long-term liabilities	-	232,300,000	172,225,000	-	404,525,000
Premiums from the issuance long-term liabilities	-	1,067,776	25,180,661	-	26,248,437
Payment to refunding escrow	<u>-</u>	<u>-</u>	<u>(184,175,117)</u>	<u>-</u>	<u>(184,175,117)</u>
Total other financing sources (uses)	<u>(770,754)</u>	<u>233,367,776</u>	<u>13,230,544</u>	<u>770,754</u>	<u>246,598,320</u>
Net change in fund balances	7,700,219	207,411,743	17,450,469	429,438	232,991,869
Fund balances, July 1, 2017	<u>110,625,495</u>	<u>87,480,916</u>	<u>43,979,010</u>	<u>66,675,974</u>	<u>308,761,395</u>
Fund balances, June 30, 2018	<u>\$ 118,325,714</u>	<u>\$ 294,892,659</u>	<u>\$ 61,429,479</u>	<u>\$ 67,105,412</u>	<u>\$ 541,753,264</u>

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

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

Net change in fund balances - Total Governmental Funds	\$ 232,991,869
Amounts reported for governmental activities in the Statement of Activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the Statement of Net Position (Note 4).	30,752,353
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(16,449,012)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. (Note 4).	(450)
Proceeds from the issuance of long-term liabilities are recognized as other financing sources in the governmental funds, but increases to long-term liabilities in the Statement of Net Position (Note 6).	(404,525,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the Statement of Net Position (Note 6).	29,720,000
Payments made to the refunding escrow account relates to refunding of long-term liabilities are other financing uses in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	169,835,000
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide financial statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	(20,496,008)
In the Statement of Activities, expenses related to Other Postemployment Benefits (OPEB) are measured by the amounts earned during the year. In the Governmental funds, expenditures are measured by the amount of financial resources used (Note 6 and Note 10).	1,124,423
In the Statement of Activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	71,166
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the Statement of Net Position.	(8,984,898)

(Continued)

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

In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred deferred outflows of resources are amortized over the shorter life of the refunded or refunding debt.	8,377,216
In Government funds, pension costs are recognized when employer contributions are made. In the Statement of Activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(14,224,369)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, internal service activities are reported as governmental in the Statement of Activities.	<u>(7,429)</u>
Change in net position of governmental activities	<u>\$ 8,184,861</u>

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - INTERNAL SERVICE FUND
SELF-INSURANCE FUND
June 30, 2018

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 10,105,638
Cash on hand and in banks	61,957
Cash with fiscal agent	648,190
Receivables	116,477
Due from other funds	<u>631</u>

Total current assets 10,932,893

LIABILITIES

Current liabilities:

Accounts payable	798
Due to other funds	4,524
Unearned revenue	12,079
Self-insurance claims liabilities - current portion	<u>1,258,500</u>

Total current liabilities 1,275,901

Self-insurance claims liabilities - less current portion 3,775,500

Total liabilities 5,051,401

NET POSITION

Unrestricted \$ 5,881,492

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - INTERNAL SERVICE FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2018

Operating revenues:	
Self-insurance premiums	<u>\$ 2,522,991</u>
Operating expenses:	
Classified salaries	65,379
Employee benefits	25,557
Contract services and operating expenses	<u>2,531,345</u>
Total operating expenses	<u>2,622,281</u>
Operating loss	<u>(99,290)</u>
Non-operating revenues:	
Investment income	<u>91,861</u>
Change in net position	(7,429)
Net position, July 1, 2017	<u>5,888,921</u>
Net position, June 30, 2018	<u><u>\$ 5,881,492</u></u>

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from premiums and other income	\$ 2,785,126
Cash paid for employee benefits and operating expenses	<u>(3,129,398)</u>
Net cash used in operating activities	(344,272)
Cash flows provided by investing activities:	
Interest income	<u>5,691</u>
Increase in cash and investments	(338,581)
Cash and investments, July 1, 2017	<u>11,154,366</u>
Cash and investments, June 30, 2018	<u><u>\$ 10,815,785</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (99,290)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) decrease in:	
Amounts due from other funds	268,835
(Decrease) increase in:	
Accounts payable	(568)
Amounts due to other funds	1,045
Unpaid claims and adjustment expenses	(507,594)
Unearned revenue	<u>(6,700)</u>
Total adjustments	<u>(244,982)</u>
Net cash used in operating activities	<u><u>\$ (344,272)</u></u>

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2018

	<u>Trust Scholarship Trust Fund</u>	<u>Agency Student Body Accounts</u>
ASSETS		
Cash on hand and in banks (Note 2)	\$ <u>435,574</u>	\$ <u>1,036,984</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>\$ 1,036,984</u>
NET POSITION		
Restricted - scholarships	<u>\$ 435,574</u>	

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUNDS
For the Year Ended June 30, 2018

	Scholarship Trust Fund
Additions:	
Local sources	\$ <u>458</u>
Deductions:	
Contract services and operating expenses	<u>4,114</u>
Change in net position	(3,656)
Net position, July 1, 2017	<u>439,230</u>
Net position, June 30, 2018	<u>\$ 435,574</u>

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

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

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

Building Fund:

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment, and primarily includes proceeds from the sale of bonds.

Bond Interest and Redemption Fund:

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

B - Other Funds

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

Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment, and primarily includes funds received from fees levied on developers or other agencies as a condition of approving a development project. This classification includes the Capital Facilities and Special Reserve for Capital Outlay Funds.

The Self-Insurance Fund is an internal service fund which is used to account for the District's self-insured workers' compensation claims and dental and vision insurance claims program.

The Trust Funds are used to account for assets held by the District as Trustee. This classification includes the Scholarship Trust Fund.

The Agency Fund is used to account for the various funds for which the District acts as an agent. This classification consists of the Student Body Accounts.

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Capital Assets: Capital assets purchased or acquired, with an original cost of \$10,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

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

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has also recognized deferred inflows of resources related to the recognition of the net pension and total other postemployment benefits liabilities.

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 73,246,374</u>	<u>\$ 32,773,184</u>	<u>\$106,019,558</u>
Deferred inflows of resources	<u>\$ 8,086,000</u>	<u>\$ 917,000</u>	<u>\$ 9,003,000</u>
Net pension liability	<u>\$183,463,000</u>	<u>\$ 77,925,000</u>	<u>\$261,388,000</u>
Pension expense	<u>\$ 32,672,750</u>	<u>\$ 16,958,122</u>	<u>\$ 49,630,872</u>

Compensated Absences: Compensated absences benefits totaling \$1,152,519 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restrictions for capital projects and debt service represents the portion of net position restricted for capital projects and the retirement of debt, respectively. The restriction for scholarships represents net position which is to be used to provide scholarships and financial assistance to students of the District. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

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

D - Assigned Fund Balance:

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

E - Unassigned Fund Balance:

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Custodial Relationships: The Agency Fund represents the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

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

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

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

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

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of GASB Statement No. 75, the District's July 1, 2017 governmental activities net position was restated, resulting in a decrease of \$3,678,426, as a result of the recognition of the District's total OPEB liability and related deferred inflows of resources.

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 552,423,598	\$ -
Cash awaiting deposit	1,102,452	-
Deposits:		
Cash on hand and in banks	61,957	1,472,558
Cash in revolving fund	40,000	-
Investments:		
Cash with fiscal agent	<u>1,620,169</u>	<u>-</u>
Total	<u>\$ 555,248,176</u>	<u>\$ 1,472,558</u>

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts totaled \$1,574,515 and the bank balances were \$2,444,073. The total uninsured bank balances at June 30, 2018 were \$1,570,939.

Cash with Fiscal Agent: Cash with Fiscal Agent represents amounts held by a third party custodian in the District's name. The balances are comprised entirely of cash equivalents and are carried at amortized cost.

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

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - INTERFUND TRANSACTIONS

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

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 1,764,787	\$ 119,075
Building	7,351	57,459
Non-Major Funds:		
Adult Education	6,990	247,188
Child Development	-	1,063,299
Cafeteria	107,243	322,683
Deferred Maintenance	-	692
Capital Facilities	750	72,832
Proprietary Fund:		
Self-Insurance	<u>631</u>	<u>4,524</u>
Totals	<u>\$ 1,887,752</u>	<u>\$ 1,887,752</u>

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

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

Transfer from the General Fund to the Adult Education Fund to support operations and programs.	\$ 774,797
Transfer from the General Fund to the Cafeteria Fund to support operations and programs.	500,000
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	75,614
Transfer from the Child Development Fund to the General Fund for indirect cost support.	232,444
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>195,985</u>
	<u>\$ 1,778,840</u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, <u>2017</u>	Additions and <u>Transfers</u>	Deletions and <u>Transfers</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 52,058,686	\$ -	\$ -	\$ 52,058,686
Construction in progress	168,394,640	29,956,815	23,539,534	174,811,921
Depreciable:				
Land improvements	4,923,154	-	-	4,923,154
Buildings	517,748,556	23,539,534	-	541,288,090
Equipment	<u>15,816,671</u>	<u>795,538</u>	<u>22,500</u>	<u>16,589,709</u>
Totals, at cost	<u>758,941,707</u>	<u>54,291,887</u>	<u>23,562,034</u>	<u>789,671,560</u>
Less accumulated depreciation:				
Land improvements	(484,702)	(28,435)	-	(513,137)
Buildings	(117,333,006)	(14,578,193)	-	(131,911,199)
Equipment	<u>(7,791,532)</u>	<u>(1,842,384)</u>	<u>(22,050)</u>	<u>(9,611,866)</u>
Total accumulated depreciation	<u>(125,609,240)</u>	<u>(16,449,012)</u>	<u>(22,050)</u>	<u>(142,036,202)</u>
Capital assets, net	<u>\$ 633,332,467</u>	<u>\$ 37,842,875</u>	<u>\$ 23,539,984</u>	<u>\$ 647,635,358</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 10,283,379
Supervision of instruction	881,153
Instructional library, media and technology	123,796
School site administration	1,372,101
Home-to-school transportation	762,478
Food Services	237,321
Other pupil services	589,074
Community services	17,010
All other general administration	509,554
Data processing	178,000
Plant services	<u>1,495,146</u>
Total depreciation expense	<u>\$ 16,449,012</u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - RISK MANAGEMENT / SELF-INSURANCE

The District is self-insured for workers' compensation, dental, and vision claims, and has established a separate Self-Insurance Fund for accounting and reporting purposes. The District participates in joint powers authorities with other entities for property and liability insurance coverage, and for workers' compensation claims in excess of coverage provided by the Self-Insurance Fund (Note 12). Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

Property and Liability: The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of District assets, errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2018, the District participated in South Bay Area School Insurance Authority for property and liability insurance coverage.

Workers' Compensation: The District's workers' compensation activities are recorded in the Self-Insurance Fund. The purpose of the Self-Insurance Fund is to administer employee's compensation on a cost reimbursement basis. The program accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District.

The following is a summary of coverage provided for workers' compensation and property and liability:

<u>Insurance Program / Company</u>	<u>Type of Coverage</u>	<u>Limits</u>
Santa Clara USD Self-Insurance Program	Workers' Compensation	Statutory Limits
Schools Alliance for Workers' Compensation Excess II	Excess	
	Workers' Compensation	\$1,000,000
South Bay Area Schools Insurance Authority	Property, General & Automotive Liability	\$700,000

Dental and Vision: The activities for the District's dental and vision programs are recorded in the District's Self-Insurance Fund. Employee dental and vision benefits are administered on a cost reimbursement basis. The program accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District.

Claims Liabilities: The District records an estimated liability for indemnity torts and other claims against the District. 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 Self-Insurance Fund includes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

	June 30, <u>2017</u>	June 30, <u>2018</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 5,698,000	\$ 5,542,000
Incurred claims and claim adjustment expenses	3,183,599	2,229,199
Total payments	<u>(3,339,599)</u>	<u>(2,737,199)</u>
Unpaid claims and claim adjustment, expenses, end of year	<u>\$ 5,542,000</u>	<u>\$ 5,034,000</u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds

Fiscal year Date of Issuance	Interest Rate %	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
2009	3.0 - 5.0%	2026	60,625,000	36,950,000	-	32,560,000	4,390,000
2010	2.0 - 4.0%	2027	34,160,000	24,880,000	-	1,850,000	23,030,000
2011	3.0 - 5.0%	2036	81,100,000	73,875,000	-	67,685,000	6,190,000
2011	3.0 - 5.0%	2036	91,140,000	82,325,000	-	77,625,000	4,700,000
2011	4.15 - 5.30%	2027	25,000,000	25,000,000	-	-	25,000,000
2012	1.0 - 5.0%	2031	45,520,000	38,935,000	-	2,055,000	36,880,000
2015	3.0 - 5.0%	2041	140,700,000	124,950,000	-	15,555,000	109,395,000
2015	3.0 - 5.50%	2034	96,380,000	94,165,000	-	2,170,000	91,995,000
2018	3.125 - 5.0%	2042	232,300,000	-	232,300,000	-	232,300,000
2018	3.0 - 5.0%	2036	156,535,000	-	156,535,000	-	156,535,000
2018	5.0%	2025	15,690,000	-	15,690,000	-	15,690,000
			<u>\$ 979,150,000</u>	<u>\$ 501,080,000</u>	<u>\$ 404,525,000</u>	<u>\$ 199,500,000</u>	<u>\$ 706,105,000</u>

On November 14, 2017, the District issued Election of 2014, Series 2017 General Obligation Bonds totaling \$232,300,000, to finance new construction and modernization of school facilities. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest at rates ranging from 3.125% to 5.0% and are scheduled to mature through July 1, 2042.

Also on November 14, 2017, the District issued 2017 General Obligation Refunding Bonds totaling \$156,535,000. The proceeds were used to advance refund certain maturities of the District's Series 2009 Refunding General Obligation Bonds, Series 2011 GO Bonds, and Series 2011A GO Bonds. The 2017 refunding bonds bear interest at rates ranging from 3.0% to 5.0%, and are scheduled to mature through July 1, 2036. As of June 30, 2018, \$10,880,000 of the defeased Series 2009 General Obligation Refunding Bonds are still outstanding and are scheduled to be repaid on July 1, 2018. As of June 30, 2018, \$65,905,000 of the defeased Series 2011 GO Bonds are still outstanding and are scheduled to be repaid on July 1, 2020. As of June 30, 2018, \$75,525,000 of the defeased Series 2011A GO Bonds are still outstanding and are scheduled to be repaid on July 1, 2020.

Although the issuance of the 2017 General Obligation Refunding Bonds resulted in the recognition of an accounting loss of \$10,355,018 for the year ended June 30, 2018, the District in effect reduced its aggregate debt service payments by \$25.7 million over the next eighteen years, and obtained an economic gain of approximately \$18.5 million.

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 255,030,700
New debt service cash flows	<u>229,356,714</u>
Cash flow difference	<u>\$ 25,673,986</u>
Present value of old debt service cash flows	\$ 184,968,326
Present value of new debt service cash flows	<u>166,522,311</u>
Economic gain	<u>\$ 18,446,015</u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

On June 12, 2018, the District issued 2018 General Obligation Refunding Bonds totaling \$15,690,000. The proceeds were used to advance refund certain maturities of the District's Series 2009 Refunding General Obligation Bonds. The 2017 refunding bonds bear interest at 5.0%, and are scheduled to mature through July 1, 2035. As of June 30, 2018, \$17,525,000 of the defeased Series 2009 General Obligation Refunding Bonds are still outstanding and are scheduled to be repaid on July 1, 2018.

The issuance of the 2018 General Obligation Refunding Bonds resulted in the recognition of an accounting gain of \$812,718 for the year ended June 30, 2018, and the District also reduced its aggregate debt service payments by \$2.2 million over the next eighteen years, and obtained an economic gain of approximately \$1.6 million.

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 21,206,613
New debt service cash flows	<u>19,036,404</u>
 Cash flow difference	 <u><u>\$ 2,170,209</u></u>
 Present value of old debt service cash flows	 \$ 19,690,944
Present value of new debt service cash flows	<u>18,055,554</u>
 Economic gain	 <u><u>\$ 1,635,390</u></u>

As of June 30, 2018 the outstanding General Obligation Bonds are scheduled to mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 41,770,000	\$ 37,047,815	\$ 78,817,815
2020	24,655,000	32,584,998	57,239,998
2021	17,240,000	28,304,643	45,544,643
2022	18,230,000	24,538,632	42,768,632
2023	25,760,000	23,481,555	49,241,555
2024-2028	137,090,000	97,804,646	234,894,646
2029-2033	157,665,000	66,289,328	223,954,328
2034-2038	169,310,000	34,486,694	203,796,694
2039-2042	<u>114,385,000</u>	<u>11,259,350</u>	<u>125,644,350</u>
	<u><u>\$ 706,105,000</u></u>	<u><u>\$ 355,797,661</u></u>	<u><u>\$ 1,061,902,661</u></u>

Certificates of Participation: On January 31, 2013, the District issued 2013 Refunding Certificates of Participation (2013 COPs) in the amount of \$8,025,000. The refunding COPs bear interest at rates ranging from 3.0% to 4.1% and mature on August 1, 2024. The proceeds from the COPs were used to current-refund the outstanding balance of the 2001 Certificates of Participation.

On October 20, 2015, the District issued 2015 Refunding Certificates of Participation (2015 COPs) in the amount of \$5,810,000. The 2016 COPs were issued to refund, on a current basis, the outstanding balance of the District's 2006 COPs. At June 30, 2016, the 2006 COPs were fully repaid and no amounts remain outstanding. The 2015 COPs bear interest at rates ranging from 2.0% to 3.5% and mature on September 1, 2036.

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

As of June 30, 2018, the outstanding 2013 and 2015 COPs are scheduled to mature as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 75,000	\$ 497,138	\$ 572,138
2020	95,000	495,438	590,438
2021	115,000	493,338	608,338
2022	130,000	490,888	620,888
2023	140,000	488,188	628,188
2024-2028	685,000	2,395,844	3,080,844
2029-2033	9,340,000	1,807,994	11,147,994
2034-2037	<u>3,160,000</u>	<u>218,731</u>	<u>3,378,731</u>
Totals	<u>\$ 13,740,000</u>	<u>\$ 6,887,559</u>	<u>\$ 20,627,559</u>

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

	Balance July 1, 2017, <u>as restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 501,080,000	\$ 404,525,000	\$ 199,500,000	\$ 706,105,000	\$ 41,770,000
Unamortized Premiums	25,772,406	26,248,436	5,752,428	46,268,414	2,117,761
Certificates of Participation	13,795,000	-	55,000	13,740,000	75,000
Net pension liability (Notes 8 and 9)	199,561,000	61,827,000	-	261,388,000	-
Other postemployment benefits (Note 10)	13,534,904	1,385,099	1,749,051	13,170,952	-
Compensated absences	<u>1,223,685</u>	<u>-</u>	<u>71,166</u>	<u>1,152,519</u>	<u>-</u>
	<u>\$ 754,966,995</u>	<u>\$ 493,985,535</u>	<u>\$ 207,127,645</u>	<u>\$ 1,041,824,885</u>	<u>\$ 43,962,761</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Special Reserve for Capital Outlay Fund. Payments for the total OPEB liability, net pension liability, and compensated absences are made from the fund for which the related employee worked.

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - FUND BALANCES

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Stores inventory	171,023	-	-	238,829	409,852
Prepaid expenditures	<u>398,699</u>	<u>233,333</u>	<u>-</u>	<u>-</u>	<u>632,032</u>
Subtotal nonspendable	<u>609,722</u>	<u>233,333</u>	<u>-</u>	<u>238,829</u>	<u>1,081,884</u>
Restricted:					
Legally restricted programs	6,997,977	-	-	10,184,463	17,182,440
Capital projects	-	294,659,326	-	56,682,120	351,341,446
Debt service	<u>-</u>	<u>-</u>	<u>61,429,479</u>	<u>-</u>	<u>61,429,479</u>
Subtotal restricted	<u>6,997,977</u>	<u>294,659,326</u>	<u>61,429,479</u>	<u>66,866,583</u>	<u>429,953,365</u>
Assigned:					
Other postemployment benefits	3,133,919	-	-	-	3,133,919
Basic Aid revenue	17,776,040	-	-	-	17,776,040
Redevelopment Agency one-time funds	<u>50,385,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,385,137</u>
Subtotal assigned	<u>71,295,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,295,096</u>
Unassigned:					
Designated for economic uncertainty	7,618,303	-	-	-	7,618,303
Undesignated	<u>31,804,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,804,616</u>
Subtotal unassigned	<u>39,422,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,422,919</u>
Total fund balances	<u>\$ 118,325,714</u>	<u>\$ 294,892,659</u>	<u>\$ 61,429,479</u>	<u>\$ 67,105,412</u>	<u>\$ 541,753,264</u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

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

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

Employers – 14.43 percent of applicable member earnings.

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

The District contributed \$17,011,374 to the plan for the fiscal year ended June 30, 2018.

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

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

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

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018 the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

District’s proportionate share of the net pension liability	\$ 183,463,000
State’s proportionate share of the net pension liability associated with the District	<u>108,536,000</u>
Total	<u><u>\$ 291,999,000</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District’s proportion was 0.198 percent, which was an increase of 0.019 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$32,672,750 and revenue of \$10,793,446 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 678,000	\$ 3,200,000
Changes of assumptions	33,989,000	-
Net differences between projected and actual earnings on investments	-	4,886,000
Changes in proportion and differences between District contributions and proportionate share of contributions	21,568,000	-
Contributions made subsequent to measurement date	<u>17,011,374</u>	<u>-</u>
Total	<u><u>\$ 73,246,374</u></u>	<u><u>\$ 8,086,000</u></u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

\$17,011,374 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2019	\$ 5,082,867
2020	\$ 12,217,867
2021	\$ 9,587,867
2022	\$ 4,803,533
2023	\$ 8,602,533
2024	\$ 7,854,333

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District’s proportionate share of the net pension liability	<u>\$ 269,382,000</u>	<u>\$ 183,463,000</u>	<u>\$ 113,734,000</u>

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

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

General Information about the Public Employer’s Retirement Fund B

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

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

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

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

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

The District contributed \$7,579,184 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$77,925,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District’s proportion was 0.326 percent, which was an increase of 0.048 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$16,958,122. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,792,000	\$ -
Changes of assumptions	11,382,000	917,000
Net differences between projected and actual earnings on investments	2,696,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	8,324,000	-
Contributions made subsequent to measurement date	<u>7,579,184</u>	<u>-</u>
Total	<u>\$ 32,773,184</u>	<u>\$ 917,000</u>

\$7,579,184 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 7,554,250
2020	\$ 10,489,250
2021	\$ 7,709,750
2022	\$ (1,476,250)

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

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

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

* 10-year geometric average

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

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

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

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

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

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 114,653,000</u>	<u>\$ 77,925,000</u>	<u>\$ 47,456,000</u>

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

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Other Postemployment Benefits Plan

Plan Description: The District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment healthcare plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical coverage. The Board of Trustees has the authority to establish or amend the benefit terms offered by the Plan, and also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2018, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability, and the plan does not issue separate financial statements.

Benefits Provided: In accordance with contracts between the District and the respective employee groups, eligible employees are entitled to receive certain medical benefits through the Plan. Eligibility requirements vary depending on employee group, age at retirement, and number of years of service to the District:

Certificated Employees: Certificated employees are eligible for benefits if they retire from the District after having reached age 50 with at least 10 years of service.

Classified Employees: Classified employees are eligible if they retire from the District after having reached age 55 with at least 10 years of service.

Management and Administrative Employees: Management and Administrative employees are eligible if they retire from the District after having reached age 50 with at least 5 years of service.

Certificated and classified employees receive benefits under the Plan for 4 years from the date of retirement. Management and other administrative personnel receive benefits under the Plan for 5 years from the date of retirement.

Retired eligible employees under the plan receive a monthly payment equal to the lowest Kaiser Insurance monthly premium rate, for employee-only coverage. As of the June 30, 2017 measurement date, the lowest monthly premiums for employee-only medical coverage were \$548.94 for retirees under age 65, and \$272.63 for employees over age 65. Dependents and spouses of retirees are not eligible to receive District-paid benefits under the Plan, however the retiree can purchase coverage through the District by paying 100% of the premiums.

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

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	184
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	<u>1,266</u>
	<u><u>1,450</u></u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Governing Board. Amounts paid by the District as benefits came due were \$692,710 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial report was determined using the following actuarial assumptions, which were applied to all periods included in the measurement, unless otherwise specified:

<u>Measurement Date</u>	June 30, 2017
<u>Valuation Date</u>	July 1, 2016
<u>Actuarial Method</u>	Entry Age actuarial cost method has been used, with normal costs calculated as a level percentage of payroll.
<u>Discount Rate</u>	3.58%.
<u>Health Care Increases</u>	Medical insurance premiums are assumed to increase by 5.00% in fiscal 2018 and onwards.
<u>Mortality Rates</u>	Mortality rates are taken from the RP-2014 mortality table, projected back to 2006 with Scale MP-2014, then forward to future years on a generational basis with Scale MP-2016 to approximate the effects of future improvements in life expectancy.
<u>Health Plan Coverage Elections</u>	100% of eligible employees are assumed to elect coverage upon retirement, through the expiration of the benefit period for the respective employee group.
<u>Retirement Rates</u>	Retirement rates are taken from the most recent experience studies for CalPERS (2014) and CalSTRS (2016).
<u>Termination Rates</u>	Termination rates are taken from the most recent experience studies for CalPERS (2014) for classified and confidential employees and CalSTRS (2016) for certificated and management employees.
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	3.00% per year

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Medical Claims

Medical claims were estimated based on the true per person costs of coverage during the year ended June 30, 2017. The age-specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees.

<u>Age</u>	<u>Cost</u>
55	\$9,117
58	\$10,109
61	\$10,845
64	\$11,323

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.58%. The municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond General Obligation Index as published by the Federal Reserve. To be eligible for the Bond Buyer 20-Bond General Obligation Index the bonds must be rated at least Moody's Investors Service's Aa2, AA by Standard & Poor's Corp.'s, or AA by Fitch Ratings.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>13,534,904</u>
Changes for the year:	
Service cost	1,012,112
Interest	372,987
Changes in assumptions	(853,784)
Benefit payments	<u>(895,267)</u>
Net change	<u>(363,952)</u>
Balance at June 30, 2018	<u><u>\$ 13,170,952</u></u>

The changes in assumptions include a change in the discount rate from 2.85% in the prior valuation, to 3.58% in the current valuation. There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Total OPEB liability	<u>\$ 14,359,053</u>	<u>\$ 13,170,952</u>	<u>\$ 12,111,613</u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>(4.00%)</u>	Healthcare Cost Trend Rates <u>Rate (5.00%)</u>	1% Increase <u>(6.00%)</u>
Total OPEB liability	<u>\$ 11,888,409</u>	<u>\$ 13,170,952</u>	<u>\$ 14,665,943</u>

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,317,338. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 786,023
Benefits paid subsequent to measurement date	<u>692,710</u>	<u>-</u>
Total	<u>\$ 692,710</u>	<u>\$ 786,023</u>

\$692,710 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ended June 30,</u>	
2019	\$ (67,761)
2020	\$ (67,761)
2021	\$ (67,761)
2022	\$ (67,761)
2023	\$ (67,761)
Thereafter	\$ (447,218)

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 - JOINT POWERS AGREEMENTS

The District is a member with other school districts in four joint powers agencies, South Bay Area Schools Insurance Authority (SBASIA), Schools Alliance for Workers' Compensation (SAWCXII), Silicon Valley Joint Powers Transportation Agency (SVJPTA) and Metropolitan Education District (MetroEd).

SBASIA operates and maintains common risk management and insurance for liability and property damage protection. The JPA agreement for SBASIA provides that SBASIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 and \$1,000,000 for each insured event for property and liability, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

SAWCXII provides fully insured excess workers' compensation. SAWCXII is self-insured through member premiums and reinsures through commercial companies for claims in excess of \$500,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

SVJPTA provides Special Education student transportation services for member districts within Santa Clara County.

MetroEd provides career technical and adult education to students of member districts within Santa Clara County.

The following is a summary of financial information of SBASIA, SAWCXII, SVJPTA, and MetroEd at June 30, 2017 (the most current information available):

	<u>SBASIA</u>	<u>SAWCXII</u>	<u>SVJPTA</u>	<u>MetroEd</u>
Total assets	\$ 5,452,545	\$ 13,543,143	\$ 810,645	\$ 50,289,884
Total deferred outflows	\$ -	\$ -	\$ -	\$ 2,909,390
Total liabilities	\$ 3,855,991	\$ 11,337,483	\$ 428,009	\$ 20,157,464
Total deferred inflows	\$ -	\$ -	\$ -	\$ 2,055,724
Total revenues	\$ 3,508,638	\$ 1,474,875	\$ 8,048,461	\$ 17,003,521
Total expenditures	\$ 4,666,817	\$ 837,437	\$ 8,035,268	\$ 19,530,488
Change in net position	\$ (1,158,179)	\$ 637,438	\$ 13,193	\$ (2,526,967)
Net position	\$ 1,596,554	\$ 2,205,660	\$ 382,636	\$ 30,986,086

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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

At June 30, 2018 the District had commitments for capital construction projects totaling approximately \$18.30 million.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 12,794,593	\$ 12,779,911	\$ 12,779,911	\$ -
Local sources	<u>190,591,796</u>	<u>193,477,097</u>	<u>194,526,852</u>	<u>1,049,755</u>
Total Local Control Funding Formula	<u>203,386,389</u>	<u>206,257,008</u>	<u>207,306,763</u>	<u>1,049,755</u>
Federal sources	5,343,203	6,791,045	5,959,749	(831,296)
Other state sources	13,605,702	21,136,191	20,896,199	(239,992)
Other local sources	<u>7,349,439</u>	<u>28,915,943</u>	<u>27,320,569</u>	<u>(1,595,374)</u>
Total revenues	<u>229,684,733</u>	<u>263,100,187</u>	<u>261,483,280</u>	<u>(1,616,907)</u>
Expenditures:				
Current:				
Certificated salaries	113,485,150	118,770,440	119,321,897	(551,457)
Classified salaries	39,043,546	42,154,530	40,934,910	1,219,620
Employee benefits	53,683,214	55,217,903	55,419,820	(201,917)
Books and supplies	15,902,362	35,257,724	11,754,115	23,503,609
Contract services and operating expenditures	19,265,658	28,178,008	23,004,491	5,173,517
Other outgo	632,010	632,010	626,552	5,458
Capital outlay	<u>720,827</u>	<u>6,200,042</u>	<u>1,950,522</u>	<u>4,249,520</u>
Total expenditures	<u>242,732,767</u>	<u>286,410,657</u>	<u>253,012,307</u>	<u>33,398,350</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(13,048,034)</u>	<u>(23,310,470)</u>	<u>8,470,973</u>	<u>31,781,443</u>
Other financing (uses) sources:				
Transfers in	510,074	494,202	504,043	9,841
Transfers out	<u>(14,587,663)</u>	<u>(2,988,219)</u>	<u>(1,274,797)</u>	<u>1,713,422</u>
Total other financing (uses) sources	<u>(14,077,589)</u>	<u>(2,494,017)</u>	<u>(770,754)</u>	<u>1,723,263</u>
Net change in fund balance	(27,125,623)	(25,804,487)	7,700,219	33,504,706
Fund balance, July 1, 2017	<u>110,625,495</u>	<u>110,625,495</u>	<u>110,625,495</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 83,499,872</u>	<u>\$ 84,821,008</u>	<u>\$118,325,714</u>	<u>\$ 33,504,706</u>

See accompanying notes to required supplementary information.

SANTA CLARA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years

Total OPEB liability	
Service cost	\$ 1,012,112
Interest	372,987
Change in assumptions	(853,784)
Benefit payments	<u>(895,267)</u>
Net change in total OPEB liability	(363,952)
Total OPEB liability, beginning of year	<u>13,534,904</u>
Total OPEB liability, end of year	<u><u>\$ 13,170,952</u></u>
Covered employee payroll	\$ 122,971,446
Total OPEB liability as a percentage of covered-employee payroll	10.71%

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

See accompanying notes to required supplementary information.

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

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.161%	0.172%	0.179%	0.198%
District's proportionate share of the net pension liability	\$ 93,812,000	\$115,605,000	\$144,703,000	\$183,463,000
District's proportionate share of the net pension liability associated with the District	<u>56,648,000</u>	<u>61,142,000</u>	<u>82,384,000</u>	<u>108,536,000</u>
Total net pension liability	<u>\$150,460,000</u>	<u>\$176,747,000</u>	<u>\$227,087,000</u>	<u>\$291,999,000</u>
District's covered payroll	\$ 71,503,000	\$ 79,701,000	\$ 89,163,000	\$105,141,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.250%	0.256%	0.278%	0.326%
District's proportionate share of the net pension liability	\$ 28,385,000	\$ 37,763,000	\$ 54,858,000	\$ 77,925,000
District's covered payroll	\$ 26,247,000	\$ 28,363,000	\$ 33,323,000	\$ 41,612,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.14%	164.63%	187.27%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

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

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 7,077,425	\$ 9,567,166	\$ 13,226,734	\$ 17,011,374
Contributions in relation to the contractually required contribution	<u>(7,077,425)</u>	<u>(9,567,166)</u>	<u>(13,226,734)</u>	<u>(17,011,374)</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 79,701,000	\$ 89,163,000	\$105,141,000	\$117,889,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 3,338,635	\$ 3,947,755	\$ 5,779,122	\$ 7,579,184
Contributions in relation to the contractually required contribution	<u>(3,338,635)</u>	<u>(3,947,755)</u>	<u>(5,779,122)</u>	<u>(7,579,184)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,363,000	\$ 33,323,000	\$ 41,612,000	\$ 48,800,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

SANTA CLARA UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedules

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

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

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

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate used for the total OPEB liability was 2.85 and 3.58 percent in the June 30, 2016 and 2017 actuarial valuations, respectively.

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

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

<u>Assumption</u>	<u>Measurement Period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve For Capital Outlay Fund	Total
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ 1,360,732	\$ 2,579,417	\$ 374,727	\$ 6,963,800	\$ 49,463,854	\$ 5,719,042	\$ 66,461,572
Cash awaiting deposit	47,058	745,101	96,345	-	-	-	888,504
Cash with fiscal agent	-	-	-	-	-	967,126	967,126
Receivables	286,163	275,600	170,930	79,579	572,117	145,459	1,529,848
Due from other funds	6,990	-	107,243	-	750	-	114,983
Stores inventory	-	-	238,829	-	-	-	238,829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,700,943</u>	<u>\$ 3,600,118</u>	<u>\$ 988,074</u>	<u>\$ 7,043,379</u>	<u>\$ 50,036,721</u>	<u>\$ 6,831,627</u>	<u>\$ 70,200,862</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 143,265	\$ 363,718	79,135	\$ 22,075	\$ 113,396	\$ -	\$ 721,589
Unearned revenue	339,721	158,583	168,863	-	-	-	667,167
Due to other funds	247,188	1,063,299	322,683	692	72,832	-	1,706,694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>730,174</u>	<u>1,585,600</u>	<u>570,681</u>	<u>22,767</u>	<u>186,228</u>	<u>-</u>	<u>3,095,450</u>
Fund balances:							
Nonspendable	-	-	238,829	-	-	-	238,829
Restricted	970,769	2,014,518	178,564	7,020,612	49,850,493	6,831,627	66,866,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>970,769</u>	<u>2,014,518</u>	<u>417,393</u>	<u>7,020,612</u>	<u>49,850,493</u>	<u>6,831,627</u>	<u>67,105,412</u>
Total liabilities and fund balances	<u>\$ 1,700,943</u>	<u>\$ 3,600,118</u>	<u>\$ 988,074</u>	<u>\$ 7,043,379</u>	<u>\$ 50,036,721</u>	<u>\$ 6,831,627</u>	<u>\$ 70,200,862</u>

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve For Capital Outlay Fund	Total
Revenues:							
Federal sources	\$ 397,684	\$ -	\$ 3,312,554	\$ -	-	\$ -	\$ 3,710,238
Other state sources	1,963,827	2,393,289	252,204	-	-	-	4,609,320
Other local sources	<u>2,173,972</u>	<u>5,978,630</u>	<u>2,334,085</u>	<u>63,740</u>	<u>2,834,075</u>	<u>1,892,762</u>	<u>15,277,264</u>
Total revenues	<u>4,535,483</u>	<u>8,371,919</u>	<u>5,898,843</u>	<u>63,740</u>	<u>2,834,075</u>	<u>1,892,762</u>	<u>23,596,822</u>
Expenditures:							
Current:							
Certificated salaries	2,108,734	1,377,192	-	-	-	-	3,485,926
Classified salaries	1,477,861	3,929,372	2,624,654	-	234,102	-	8,265,989
Employee benefits	1,170,154	2,078,154	949,287	-	75,530	-	4,273,125
Books and supplies	78,377	286,191	2,737,339	-	31,026	-	3,132,933
Contract services and operating expenditures	399,540	107,313	179,076	315,254	348,165	6,935	1,356,283
Capital outlay	-	-	71,555	13,975	2,774,219	10,695	2,870,444
Debt service:							
Principal retirement	-	-	-	-	-	55,000	55,000
Interest	-	-	-	-	-	498,438	498,438
Total expenditures	<u>5,234,666</u>	<u>7,778,222</u>	<u>6,561,911</u>	<u>329,229</u>	<u>3,463,042</u>	<u>571,068</u>	<u>23,938,138</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(699,183)</u>	<u>593,697</u>	<u>(663,068)</u>	<u>(265,489)</u>	<u>(628,967)</u>	<u>1,321,694</u>	<u>(341,316)</u>
Other financing sources (uses):							
Transfers in	774,797	-	500,000	-	-	-	1,274,797
Transfers out	<u>(75,614)</u>	<u>(232,444)</u>	<u>(195,985)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(504,043)</u>
Total other financing sources (uses)	<u>699,183</u>	<u>(232,444)</u>	<u>304,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770,754</u>
Net change in fund balances	-	361,253	(359,053)	(265,489)	(628,967)	1,321,694	429,438
Fund balances, July 1, 2017	<u>970,769</u>	<u>1,653,265</u>	<u>776,446</u>	<u>7,286,101</u>	<u>50,479,460</u>	<u>5,509,933</u>	<u>66,675,974</u>
Fund balances, June 30, 2018	<u>\$ 970,769</u>	<u>\$ 2,014,518</u>	<u>\$ 417,393</u>	<u>\$ 7,020,612</u>	<u>\$ 49,850,493</u>	<u>\$ 6,831,627</u>	<u>\$ 67,105,412</u>

SANTA CLARA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
STUDENT BODY ACCOUNTS				
<u>Santa Clara High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>326,328</u>	\$ <u>439,932</u>	\$ <u>407,401</u>	\$ <u>358,859</u>
Liabilities:				
Due to student groups	\$ <u>326,328</u>	\$ <u>439,932</u>	\$ <u>407,401</u>	\$ <u>358,859</u>
<u>Wilcox High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>412,783</u>	\$ <u>526,797</u>	\$ <u>442,715</u>	\$ <u>496,865</u>
Liabilities:				
Due to student groups	\$ <u>412,783</u>	\$ <u>526,797</u>	\$ <u>442,715</u>	\$ <u>496,865</u>
<u>Peterson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>41,304</u>	\$ <u>134,008</u>	\$ <u>130,910</u>	\$ <u>44,402</u>
Liabilities:				
Due to student groups	\$ <u>41,304</u>	\$ <u>134,008</u>	\$ <u>130,910</u>	\$ <u>44,402</u>
<u>Cabrillo Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>88,095</u>	\$ <u>54,017</u>	\$ <u>63,380</u>	\$ <u>78,732</u>
Liabilities:				
Due to student groups	\$ <u>88,095</u>	\$ <u>54,017</u>	\$ <u>63,380</u>	\$ <u>78,732</u>
<u>Buchser Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>21,195</u>	\$ <u>43,231</u>	\$ <u>22,225</u>	\$ <u>42,201</u>
Liabilities:				
Due to student groups	\$ <u>21,195</u>	\$ <u>43,231</u>	\$ <u>22,225</u>	\$ <u>42,201</u>

(Continued)

SANTA CLARA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
STUDENT BODY ACCOUNTS				
(Continued)				
<u>Elementary Schools ASB</u>				
Assets:				
Cash on hand and in banks	\$ <u>38,072</u>	\$ <u>1,737</u>	\$ <u>23,884</u>	\$ <u>15,925</u>
Liabilities:				
Due to student groups	\$ <u>38,072</u>	\$ <u>1,737</u>	\$ <u>23,884</u>	\$ <u>15,925</u>
 <u>Total Student Body Accounts</u>				
Assets:				
Cash on hand and in banks	\$ <u>927,777</u>	\$ <u>1,199,722</u>	\$ <u>1,090,515</u>	\$ <u>1,036,984</u>
Liabilities:				
Due to student groups	\$ <u>927,777</u>	\$ <u>1,199,722</u>	\$ <u>1,090,515</u>	\$ <u>1,036,984</u>

SANTA CLARA UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

Santa Clara Unified School District was established in 1966 and is comprised of an area of approximately 56 square miles located in the city of Santa Clara, as well as portions of the cities of Cupertino, San Jose and Sunnyvale, all of which are located in Santa Clara County. The District currently operates seventeen elementary schools and three middle schools, one K-8 school, two comprehensive high schools, an alternative high school, a continuation high school, an adult school, and one independent study program. There were no changes in the boundaries of the District during the year.

The Board of Education of Santa Clara Unified School District is composed of seven members elected at large within the boundaries of the District. The Board and Administrative Staff manage and control the affairs of the District.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Noelani Pearl Hunt	President	2018
Michele Ryan	Vice President	2020
Jodi Muirhead	Clerk	2018
Jim Canova	Member	2018
Albert Gonzalez	Member	2020
Andrew Ratermann	Member	2018
Mark Richardson	Member	2020

ADMINISTRATION

Stanley Rose III
Superintendent

Andrew Lucia
Assistant Superintendent, School Support and District Development

Kathie Kanavel
Assistant Superintendent, Education Services

Kevin Keegan
Assistant Superintendent, Human Resources

Vacant*
Chief Business Official

* Eric Dill was hired as Chief Business Official for the District effective July 1, 2018.

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

	Original Second Period <u>Report</u>	Audited Second Period <u>Report*</u>	Annual <u>Report</u>
Certificate Numbers:	<u>DA0604A8</u>	<u>905D2EC9</u>	<u>32F821A0</u>
Elementary:			
Transitional Kindergarten through Third	5,159	5,158	5,148
Fourth through Sixth	3,394	3,394	3,391
Seventh and Eighth	<u>2,043</u>	<u>2,042</u>	<u>2,041</u>
Subtotal Elementary	<u>10,596</u>	<u>10,594</u>	<u>10,580</u>
Secondary:			
Ninth through Twelfth	<u>4,165</u>	<u>4,162</u>	<u>4,137</u>
Subtotal Secondary	<u>4,165</u>	<u>4,162</u>	<u>4,137</u>
District Totals	<u><u>14,761</u></u>	<u><u>14,756</u></u>	<u><u>14,717</u></u>

* Reflects revisions made by the District based on internal review of records.

See accompanying notes to
 supplementary information.

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

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2017-2018 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	52,133	180	In Compliance
Grade 1	50,400	50,778	180	In Compliance
Grade 2	50,400	50,778	180	In Compliance
Grade 3	50,400	54,028	180	In Compliance
Grade 4	54,000	54,028	180	In Compliance
Grade 5	54,000	54,028	180	In Compliance
Grade 6	54,000	57,325	180	In Compliance
Grade 7	54,000	57,325	180	In Compliance
Grade 8	54,000	57,325	180	In Compliance
Grade 9	64,800	67,120	180	In Compliance
Grade 10	64,800	67,120	180	In Compliance
Grade 11	64,800	67,095	180	In Compliance
Grade 12	64,800	67,120	180	In Compliance

See accompanying notes to
supplementary information.

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

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 2,531,457
84.027A	Special Ed: IDEA Mental Health Services, Part B, Sec 611	14468	156,285
84.027A	Special Ed: IDEA Preschool Local Entitlement	13682	242,161
84.173	Special Ed: IDEA, Preschool Grants, Part B	13430	84,141
84.173A	Special Ed: IDEA, Preschool Staff Development	13431	<u>1,000</u>
	Subtotal Special Education Cluster		<u>3,015,044</u>
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Immigrant Student Program	15146	45,701
84.365	ESEA: Title III, English Learner Student Program	14346	<u>650,956</u>
	Subtotal ESEA: Title III Programs		<u>696,657</u>
	Vocational Programs:		
84.048	Vocational Programs Post Secondary and Adult II C Sec 132 (Carl Perkins Act)	14894	116,370
84.048	Vocational Programs: Voc & Appl Tech Secondary II C Sec 131 (Carl Perkins Act)	14893	<u>73,572</u>
	Subtotal Vocational Programs		<u>189,942</u>
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education (Section 231)	13978	81,365
84.002A	Adult Education: Adult Basic Education and ESL (Section 231)	14508	173,338
84.002A	Adult Education: English Literacy and Civics Education - Local Grant	14109	<u>26,611</u>
	Subtotal Adult Education Programs		<u>281,314</u>

(Continued)

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

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.010	ESEA: Title I, Part A Basic Grants Low Income and Neglected	14329	\$ 1,298,221
84.011	ESEA: Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	171,535
84.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	56,087
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	<u>361,524</u>
Total U.S. Department of Education			<u>6,070,324</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Medicaid Cluster: Medi-Cal Billing Option	10013	<u>64,750</u>
<u>U.S. Department of Housing and Urban Development - Passed through California Department of Education</u>			
14.235	Supportive Housing Program	N/A	<u>53,693</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition Cluster: Child Nutrition: School Programs	13391	<u>3,312,554</u>
Total Federal Programs			<u>\$ 9,501,321</u>

See accompanying notes to
supplementary information.

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

There were no adjustments proposed to any funds of the District

See accompanying notes to
supplementary information.

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

	(Budgeted) <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund				
Revenues and other financing sources	\$ <u>261,515,011</u>	\$ <u>261,987,323</u>	\$ <u>249,890,773</u>	\$ <u>207,593,780</u>
Expenditures	275,809,949	253,012,307	222,192,492	183,507,022
Other uses and transfers out	<u>14,700,000</u>	<u>1,274,797</u>	<u>1,579,298</u>	<u>9,671,442</u>
Total outgo	<u>290,509,949</u>	<u>254,287,104</u>	<u>223,771,790</u>	<u>193,178,464</u>
Change in fund balance	\$ <u>(28,994,938)</u>	\$ <u>7,700,219</u>	\$ <u>26,118,983</u>	\$ <u>14,415,316</u>
Ending fund balance	\$ <u>89,330,776</u>	\$ <u>118,325,714</u>	\$ <u>110,625,495</u>	\$ <u>84,506,512</u>
Available reserves	\$ <u>51,236,836</u>	\$ <u>39,422,919</u>	\$ <u>35,258,653</u>	\$ <u>34,760,340</u>
Designated for economic uncertainties	\$ <u>8,691,750</u>	\$ <u>7,618,303</u>	\$ <u>6,698,756</u>	\$ <u>5,772,320</u>
Undesignated fund balances	\$ <u>42,545,086</u>	\$ <u>31,804,616</u>	\$ <u>28,559,897</u>	\$ <u>28,988,020</u>
Available reserves as percentages of total outgo	<u>17.64%</u>	<u>15.50%</u>	<u>15.76%</u>	<u>17.99%</u>
Total long-term liabilities	\$ <u>997,862,124</u>	\$ <u>1,041,824,885</u>	\$ <u>752,142,353</u>	\$ <u>735,752,241</u>
Average daily attendance at P-2	<u>14,788</u>	<u>14,756</u>	<u>14,695</u>	<u>14,687</u>

The General Fund fund balance has increased by \$48,234,518 over the past three years. The fiscal year 2018-2019 budget, as originally adopted, projects a decrease of \$28,994,938. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating surpluses in each of the past three years, but anticipates an operating deficit during the 2018-2019 fiscal year.

Total long-term liabilities have increased by \$306,072,644 over the past two years, primarily due to the issuance of General Obligation Bonds.

Average daily attendance has increased by 69 over the past two years. An increase of 32 ADA is anticipated during fiscal year 2018-2019.

See accompanying notes to
supplementary information.

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

Charter Schools Chartered by District

Included in District
Financial Statements, or
Separate Report

There are currently no charter schools in the District.

See accompanying notes to
supplementary information.

SANTA CLARA UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201. The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has exceeded their LCFF target funding.

C - Schedule of Expenditure of Federal Awards

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

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

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 10,782,021
Less: Federal interest reimbursement on Qualified School Construction Bonds	*	(1,112,034)
Medi-Cal Billing Option funds not expended	93.778	<u>(168,666)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 9,501,321</u>

* CFDA number not available.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt this program.

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

Board of Education
Santa Clara Unified School District
Santa Clara, California

Report on Compliance with State Laws and Regulations

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

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

(Continued)

We did not perform any procedures related to Independent Study program as the program was immaterial to the District in the current year.

The District did not offer an Early Retirement Incentive Program in the current year; therefore, we did not perform steps a through d.

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

The District did not report any attendance hours for Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to the program.

The District does not operate an After/Before School Education and Safety Program - Before School program; therefore, we did not perform any procedures related to After/Before School Education and Safety Program - Before School.

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

We did not perform any of the procedures related to charter schools because the District does not include any charter schools in this report.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Santa Clara Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Santa Clara Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Santa Clara Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance with State Laws and Regulations

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

(Continued)

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
December 6, 2018

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

Board of Education
Santa Clara Unified School District
Santa Clara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Clara Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Santa Clara Unified School District's financial statements, and have issued our report thereon dated December 6, 2018. In that report, we provided an adverse opinion on the aggregate discretely presented component units, which were not presented in the financial statements in accordance with accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
December 6, 2018

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

Board of Education
Santa Clara Unified School District
Santa Clara, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP
Crowe LLP

Sacramento, California
December 6, 2018

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

<u>Opinion Unit:</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Building Fund	Unmodified
Bond Interest and Redemption Fund	Unmodified
Aggregate Remaining Funds	Unmodified
Aggregate Discretely Presented Component Units	Adverse

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

Noncompliance material to financial statements noted?

_____ Yes ___X___ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes ___X___ No

Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
10.555	Child Nutrition Cluster
84.027 & 83.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes ___X___ No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:

Unmodified

(Continued)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

No matters were reported.