

PLEASANTON UNIFIED SCHOOL DISTRICT

MEASURE I1 GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



The Board of Trustees of the Pleasanton Unified School District established the Citizens' Bond Oversight Committee. The Committee shall perform only the following duties: (1) inform the public concerning the District's expenditure of bond proceeds, (2) review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Measure I1; and (b) no bond proceeds were used for any teacher or administrative salaries or other operating expenses and (3) present to the Board, in public session, an annual written report which shall include the following: a statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and a summary of the Committee's proceedings and activities for the preceding year.

The Citizens' Bond Oversight Committee for Measure I1 members for the fiscal year ended June 30, 2019 were composed of the following members:

Member Name	Position	Representing
Arne Olson	Chairperson	Community at-large
Keith Lam	Vice-Chair	Parent/Guardian of an Enrolled Child
		Parent/Guardian of an Enrolled Child and
Samantha Webb Kading, J.D.	Secretary	Active in Parent Teacher Organization or
		School Site Council
Mary Mele	Board Representative	Community at-large
Lou Astbury	Member	Community at-large
Yi Huang	Member	Community at-large
Steve Zevanove	Member	Community at-large
Vacant*	Member	Taxpayers' Association
Vacant*	Member	Senior Citizens' Organization
Vacant*	Member	Business Community

*The District is actively engaged in filling the noted vacancies.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Pleasanton Unified School District
Pleasanton, California

Report on the Financial Statements

We have audited the accompanying financial statements of Pleasanton Unified School District (the "District") Measure I1 General Obligation Bonds activity included in the Measure I1 General Obligation Bond Funds (the "Measure I1 Bond Funds") of the District as of and for the year ended June 30, 2019, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I1 Bond Funds of Pleasanton Unified District, as of June 30, 2019, and the changes in financial position 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, the financial statements present only the District's Measure I1 Bond Funds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Pleasanton Unified School District's Measure I1 General Obligation Bond Funds. The Purpose of Bond Issuance on pages 10 and 11 of this report and the Citizen's Bond Oversight Committee Members are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2019 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and other matters for the Measure I1 Bond Funds. 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 for the Bond Funds. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pleasanton Unified School District's internal control over financial reporting and compliance for the Bond Funds.

CWDL, Certified Public Accountants

San Diego, California
October 12, 2019

FINANCIAL SECTION

ASSETS

Cash and cash equivalents	\$ 49,804,029
Receivables	<u>229,812</u>

Total Assets	<u>\$ 50,033,841</u>
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LIABILITIES AND FUND BALANCE**Liabilities**

Accounts payable	\$ 2,162,949
Due to other funds	<u>12</u>

Total Liabilities	<u>2,162,961</u>
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Fund Balance

Restricted for capital projects	<u>47,870,880</u>
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Total Liabilities and Fund Balance	<u>\$ 50,033,841</u>
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The accompanying notes are an integral part of these financial statements.

REVENUES

Interest income	\$ 917,028
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Total Revenues

917,028

EXPENDITURES

Salaries and benefits	486,414
Supplies, materials and other operating expenses	3,671,216
Capital outlay	3,117,016

Total Expenditures

7,274,646

Net Change in Fund Balance

(6,357,618)

Restricted Fund Balance, July 1, 2018

54,228,498

Restricted Fund Balance, June 30, 2019

\$ 47,870,880

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pleasanton Unified School District (the "District") accounts for its Measure I1 Bond Funds' ("Bond Funds") financial transactions in accordance with policies and procedures of the State Chancellor's Office's California Community Colleges Budget and Accounting Manual. The accounting policies of the Measure I1 Bond Funds conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity: The financial statements include only the Bond Funds' Measure I1 General Obligation Bond Resources of the District. The funds were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds (Election of 2016, Series 2017). The authorized issuance amount of the bonds is \$270,000,000. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

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 measurement made, regardless of the measurement focus applied.

The financial statements represent the Measure I1 Bond Funds of the District and 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.

Cash and Cash Equivalents: For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Alameda County Treasury are considered cash equivalents.

Due from District: At June 30, 2019, an interfund payable totaling \$12 was due from the Bond Funds to other funds of the District.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Measure I1 Bond Funds in accordance with the Bond Project List.

Accounting Estimates: The presentation 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. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2019 consisted of \$49,804,029 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the Bond Funds maintain all of their cash in the Alameda County Treasury. The County Treasurer of Alameda County acts as the Measure I1 Bond Funds Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

In accordance with applicable State laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2019, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
County Pooled Investment Fund	None	None	None

NOTE 2 – CASH AND CASH EQUIVALENTS, continued

Disclosures Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Weighted Average Maturity
Alameda County Investment Pool	420 days

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2019, the District had no concentration of credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

NOTE 3 - FAIR VALUE MEASUREMENTS, continued

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

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Uncategorized
Alameda County Investment Pool	\$ 49,994,504	\$ 49,994,504

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure I1 by at least 55% of the registered voters voting on the proposition at the election held on November 8, 2016, Pleasanton Unified School District was authorized to issue and sell bonds of up to \$270,000,000 in aggregate principal amount.

Purpose of Bonds: The proceeds of the Bonds may be used:

"To repair and upgrade aging classrooms and facilities at local schools; provide 21st-century learning technology and facilities; improve school safety and security; update science labs; improve energy and water efficiency; renovate, construct, and acquire classrooms, equipment and facilities; and construct a new elementary school, shall Pleasanton Unified School District issue \$270,000,000 in bonds, at legal rates, with independent citizen oversight, annual audits, all funds used for local schools, and no money used for administrators' salaries?"

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrative salaries and other school operating expenses.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The Bonds represent an obligation of the District payable solely from ad valorem property taxes levied and collected by the County of Alameda on properties within the District. The Board of Supervisors of Alameda County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District without limitation of rate or amount, except as to certain personal property which is taxable at limited rates.

In October 2017, the District issued the Series 2017 General Obligation Bonds in the amount of \$70,645,000. The bonds mature beginning on December 1, 2017 through August 1, 2042, with interest yields ranging from 0.90-3.28%.

The maturity schedule for the Measure I1 Bond Funds, Series 2017 is as follows:

Series 2017 General Obligation Bonds			
Fiscal Year	Principal	Interest	Total
2020	10,055,000	2,159,600	12,214,600
2021	1,680,000	1,924,900	3,604,900
2022	1,715,000	1,857,000	3,572,000
2023	1,820,000	1,786,300	3,606,300
2024	1,055,000	1,723,525	2,778,525
2025-2029	6,160,000	7,747,750	13,907,750
2030-2034	8,050,000	6,216,250	14,266,250
2035-2039	12,805,000	4,265,875	17,070,875
2040-2043	14,960,000	1,257,800	16,217,800
Total	\$ 58,300,000	\$ 28,939,000	\$ 87,239,000

NOTE 6 –SUBSEQUENT EVENTS

The District has evaluated events or transactions that occurred subsequent to the balance sheet date through October 12, 2019, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements. The District determined that no subsequent matters required disclosure or adjustments to the accompanying financial statements.

SUPPLEMENTARY INFORMATION SECTION

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

PLEASANTON UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, MEASURE I1

The Pleasanton Unified School District, Alameda County, California Election of 2016 General Obligation Bonds, Measure I1 were authorized at an election of the registered voters of the Pleasanton Unified School District held on November 8, 2016 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$270,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from ad valorem property taxes. A summary of the text of the ballot language was as follows:

"To repair and upgrade aging classrooms and facilities at local schools; provide 21st-century learning technology and facilities; improve school safety and security; update science labs; improve energy and water efficiency; renovate, construct, and acquire classrooms, equipment and facilities; and construct a new elementary school, shall Pleasanton Unified School District issue \$270,000,000 in bonds, at legal rates, with independent citizen oversight, annual audits, all funds used for local schools, and no money used for administrators' salaries?"

PLEASANTON UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, MEASURE I1, continued

The District's Board of Trustees developed the following Bond Project List for the Measure I1 Bonds:

- **Safety and Security**
 - Upgrade fire alarm systems at all schools for consistency and student safety
 - Install site fencing at all schools
 - Install video cameras in main areas at all schools
 - Implement VOIP phones, bells, clocks and intercom/all-call
 - Install exterior lighting upgrades
 - Upgrade security system and door key/locks
- **21st Century Learning Environments including New Science and Technology Facilities**
 - Upgrade electrical service/infrastructure District-wide
 - Upgrade HVAC District-wide
 - Provide classroom technology District-wide (1:1, classroom audio visual)
 - Middle School Science Labs
 - High School Science Labs
 - Replace and upgrade District wired network, MDF and IDF closets
- **Energy and Water Efficiencies**
 - Install solar structures
 - Install water efficient toilets and fountains (including new hydration stations), plumbing and sewer system upgrade, install isolation valves
- **Modernizations, Renovations, Replacements of Existing Facilities, Former Leases**
 - Remove temporary portables and build a new school
 - Roofing replacement/repairs to address years of ongoing roof leaks
 - Build, modernize, and upgrade existing school buildings and classrooms, or replace portables, including FF&E
 - Build new classrooms and facilities at Lydiksen Elementary School to replace removed circular buildings
 - Payoff Certificates of Participation (COPs)

FURTHER SPECIFICATIONS

No Administrator Salaries: Proceeds from the sale of bonds authorized by this measure shall be used only for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

OTHER REPORTS



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

To the Board of Trustees
Pleasanton Unified School District
Pleasanton, 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 Pleasanton Unified School District (the "District") Measure I1 General Obligation Bond Funds (the "Measure I1 Bond Funds") as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Measure I1 Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Measure I1 Bond Funds.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pleasanton Unified School District's Measure I1 Bond Funds' financial statements are free of material misstatement, we performed tests of the Bond Funds' compliance with certain provisions of laws, regulations, and contracts, 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 for the Bond Funds. 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 for the Bond Fund. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
October 12, 2019

FINDINGS AND RESPONSES SECTION

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs identified during 2018-19.

There were no financial statement findings or questioned costs identified during 2017-18.