PLEASANTON UNIFIED SCHOOL DISTRICT

PLEASANTON, CALIFORNIA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2017

PLEASANTON UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017

PLEASANTON UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017

FINANCIAL SECTION

Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasanton Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO, CA 95833 · 101 PARKSHORE DRIVE, SUITE 100, FOLSOM, CA 95630
PHONE: 916.646.6464 · FAX: 916.929.6836 · GilbertCPA.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Additional Information section, as listed in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

The Supplementary Information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Additional Information section has not been subjected to auditing procedures applied to in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 15, 2017

INTRODUCTION

Our discussion and analysis of Pleasanton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

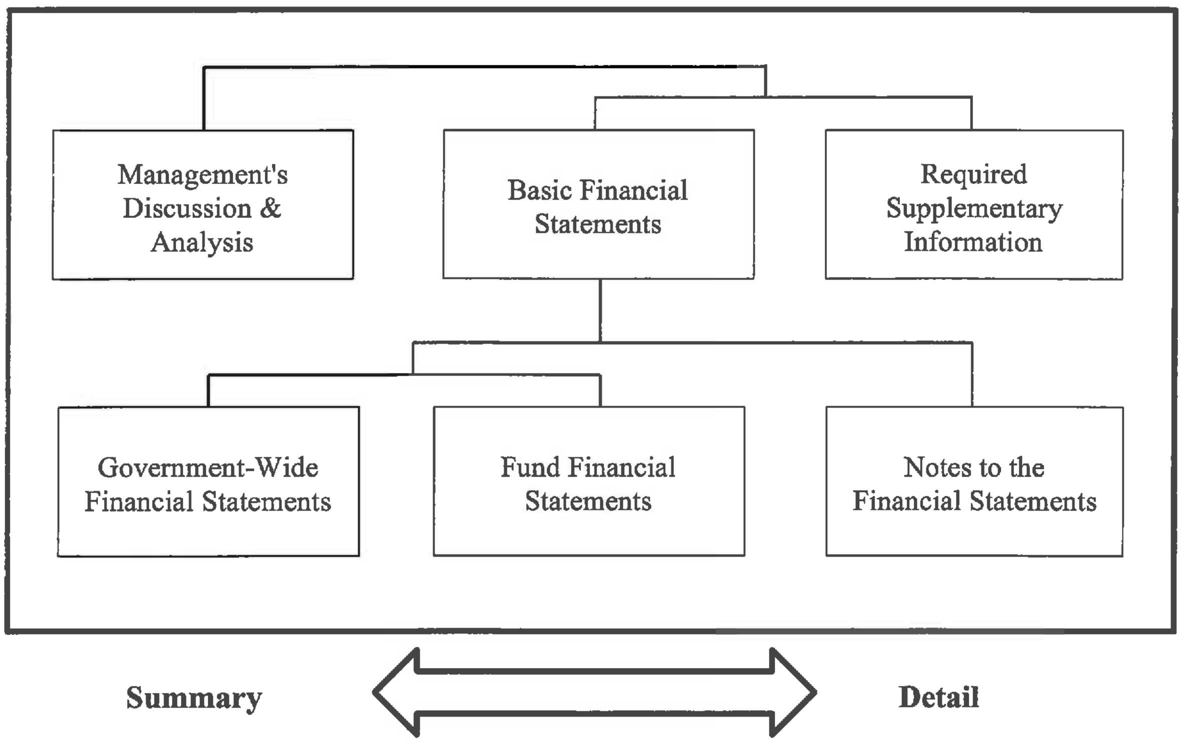
- Government Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (collectively, the Statements) was implemented during the fiscal year ended June 30, 2015. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It requires employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The net pension liability as of June 30, 2017 was $156.8 million.

- Overall governmental activities revenues were $181.5 million which were exceeded by expenses of $185.7 million. Business-type activities revenues were $3.0 million which exceeded expenses of $2.6 million.

- General Fund expenditures and other financing uses exceeded revenues and other financing sources by $3.7 million.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Enterprise Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources are included in the statement of net position. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District's net position can be measured by adding the District's assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities and business-type activities. The governmental activities are the basic services provided by the District, such as regular and special education, administration, and transportation, and are included here. Property taxes and state formula aid finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's governmental activities net position was $27.7 million at June 30, 2017, as reflected in the table below. Of this amount, there is a deficit of $109.4 million in unrestricted due primarily to the recognition of the net pension liability of $156.8 million. Net investment in capital assets (e.g., land, building and equipment) was $119.2 million of the net position. The District uses these assets to provide educational services; therefore, they are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. And lastly, resources subject to external restrictions accounted for $18.0 million of net position.

	Governmental Activities			Business-Type Activities		
	2017	2016	Net change	2017	2016	Net change
ASSETS						
Current and other assets	$ 74,477,123	$ 65,497,554	$ 8,979,569	$ 1,673,213	$ 1,390,755	$ 282,458
Capital assets	159,496,034	167,140,072	(7,644,038)			
Total assets	233,973,157	232,637,626	1,335,531	1,673,213	1,390,755	282,458
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions	28,811,907	13,251,217	15,560,690			
LIABILITIES						
Current liabilities	22,248,406	17,809,298	4,439,108	71,071	229,997	(158,926)
Long-term liabilities	207,056,307	183,300,007	23,756,300			
Total liabilities	229,304,713	201,109,305	28,195,408	71,071	229,997	(158,926)
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions	5,759,599	12,935,715	(7,176,116)			
NET POSITION						
Net investment in capital assets	119,196,578	121,434,946	(2,238,368)			
Restricted	17,956,404	20,487,249	(2,530,845)			
Unrestricted	(109,432,230)	(110,078,372)	646,142	1,602,142	1,160,758	441,384
Total net position	$ 27,720,752	$ 31,843,823	$ (4,123,071)	$ 1,602,142	$ 1,160,758	$ 441,384

Changes in Net Position

As shown in the table below, the District's governmental activities and business-type revenues were \$181.5 million and \$3.0 million, respectively. The majority of the revenue comes from property taxes and unrestricted federal and state aid (72%). Operating grants and contributions for specific programs accounted for another 22% of total revenues.

The total cost of all governmental activities and business-type programs and services was \$185.7 million and \$2.6 million respectively. The District's expenses are predominately related to educating and caring for students (68%). Pupil Services (including transportation and food) account for 6% of expenses. General administrative activities accounted for just 4% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 7% of all costs. Transfers to other agencies account for 9% of all costs. The remaining expenses were for interest and other charges, depreciation, and enterprise services and account for the remaining 6% of all costs. The governmental activities net position decreased by \$4.1 million.

	Governmental Activities			Business-Type Activities		
	2017	2016	Net Change	2017	2016	Net Change
REVENUES						
Program revenues						
Charges for services	$ 4,048,229	$ 4,012,354	$ 35,875	$ 2,995,668	$ 2,802,716	192,952
Operating grants and contributions	40,120,608	41,502,471	(1,381,863)			
Capital grants and contributions	(1,122,864)	24,883	(1,147,747)			
General revenues						
Property taxes	69,948,860	66,571,662	3,377,198			
Unrestricted federal and state aid	62,624,276	67,998,393	(5,374,117)			
Other	5,921,774	3,938,723	1,983,051	7,028	5,108	1,920
Total revenues	181,540,883	184,048,486	(2,507,603)	3,002,696	2,807,824	194,872
EXPENSES						
Instruction	108,892,148	104,788,009	4,104,139			
Instruction-related services	18,510,956	18,241,982	268,974			
Pupil services	12,016,862	11,337,873	678,989			
General administration	8,046,033	8,887,323	(841,290)			
Plant services	12,382,881	11,039,625	1,343,256			
Interest and other charges	1,478,056	1,597,930	(119,874)			
Transfers to other agencies	16,508,070	16,174,300	333,770			
Depreciation	7,848,464	7,635,137	213,327			
Enterprise services	92,384	(9,135)	101,519	2,449,412	2,801,343	(351,931)
Transfers	(111,900)	(111,900)		111,900	111,900	
Total expenses	185,663,954	179,581,144	6,082,810	2,561,312	2,913,243	(351,931)
Change in net position	(4,123,071)	4,467,342	(8,590,413)	441,384	(105,419)	546,803
Net Position - beginning	31,843,823	27,376,481	4,467,342	1,160,758	1,266,177	(105,419)
Net position - ending	$ 27,720,752	$ 31,843,823	$ (4,123,071)	$ 1,602,142	$ 1,160,758	$ 441,384

The net expense of all our governmental activities by function this year was $142.7 million. These costs were offset by general revenues, including property taxes of $69.9 million, unrestricted federal and state aid of $62.6 million, and other general revenues of $6.0 million. The table below displays the net expense of all governmental activities by function before the general revenue offsets.

	Net expense by function	
	2017	**2016**
Instruction	$ 89,780,476	$ 84,640,825
Instruction-related services	15,892,231	15,731,831
Pupil services	5,544,367	4,842,088
General administration	6,923,273	7,757,382
Enterprise Activities	92,384	(9,135)
Plant services	12,225,775	10,524,066
Interest and other charges	1,478,056	1,597,930
Transfers to other agencies	2,944,855	1,433,212
Depreciation	7,848,464	7,635,137
Net expense by function	$ 142,729,881	$ 134,153,336

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $58.6 million, which increased from last year's ending fund balance of $54.8 million. The District's General Fund had $3.7 million more revenues than expenditures for the year ended June 30, 2017, leading to an ending fund balance of $32.2 million. The District's Special Education Pass-Through Fund had $0 ending fund balance for the year ended June 30, 2017 due to the fact that all of revenues in this fund are transferred to other agencies. The District's Special Reserve Fund for Capital Outlay Projects had $573 thousand more revenues than expenditures for the year ended June 30, 2017, leading to an ending fund balance of $11.8 million. The District's Other Governmental Funds had $449 thousand less in revenues than expenditures for the year ended June 30, 2017, leading to an ending fund balance of $14.6 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, warrants are presented to the Board for their approval on a monthly basis to reflect expenditures made during the month. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial actuals and current budget based on state and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested $159.5 million in capital assets, net of accumulated depreciation. The net change as a result of fiscal year 2017 activity is primarily due to current year depreciation.

	Governmental Activities		
	2017	2016	Net Change
CAPITAL ASSETS			
Land	$ 40,624,273	$ 40,624,273	
Land improvements	29,659,616	29,659,616	
Buildings & improvements	261,360,479	261,355,086	$ 5,393
Furniture & equipment	5,317,344	5,118,311	199,033
Accumulated depreciation	(177,465,678)	(169,617,214)	(7,848,464)
Total Capital Assets	$ 159,496,034	$ 167,140,072	$ (7,644,038)

Long-Term Debt

At June 30, 2017, the District had $207.1 million in long-term debt, an increase of $23.8 million from last year – as shown below. Net Pension Liability increased by $26.1 million primarily due to low investment returns during the measurement period of the net pension liability (June 30, 2016) as compared to the prior measurement period (June 30, 2015). More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2017	2016	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 24,569,456	$ 29,070,126	$ (4,500,670)
Certificates of participation	15,730,000	16,635,000	(905,000)
Compensated absences	521,897	626,118	(104,221)
Net OPEB obligation	15,052,318	12,485,218	2,567,100
Net pension liability	156,768,148	130,688,278	26,079,870
Less: current portion of long-term debt	(5,585,512)	(6,204,733)	619,221
Total Long-term Liabilities	$ 207,056,307	$ 183,300,007	$ 23,756,300

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting new compliance and audit requirements.

The Statements took effect in the fiscal year 2014-15. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability was reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is approximately $156.8 million which is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, interdistrict transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2017-18 fiscal year.

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 the District's Business Office at 4665 Bernal Avenue; Pleasanton, California, 94566.

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and equivalents	$ 56,507,168	$ 1,693,233	$ 58,200,401
Restricted cash and equivalents	4,377,360		4,377,360
Accounts receivable	13,301,742	5,612	13,307,354
Internal balances	25,632	(25,632)	
Inventories	131,242		131,242
Prepaid items	133,979		133,979
Depreciable capital assets (net)	118,871,761		118,871,761
Nondepreciable capital assets	40,624,273		40,624,273
Total assets	233,973,157	1,673,213	235,646,370
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	28,811,907		28,811,907
LIABILITIES:			
Accounts payable	16,633,923	71,071	16,704,994
Unearned revenue	28,971		28,971
Long-term liabilities, due within one year	5,585,512		5,585,512
Due in more than one year:			
Net OPEB Liability	15,052,318		15,052,318
Net pension liability	156,768,148		156,768,148
Other long-term liabilities	35,235,841		35,235,841
Total liabilities	229,304,713	71,071	229,375,784
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	5,759,599		5,759,599
NET POSITION:			
Net investment in capital assets	119,196,578		119,196,578
Restricted for:			
Capital projects	8,446,518		8,446,518
Debt service	3,603,215		3,603,215
Educational programs	5,517,872		5,517,872
Other purposes (expendable)	388,799		388,799
Unrestricted	(109,432,230)	1,602,142	(107,830,088)
Total net position	$ 27,720,752	$ 1,602,142	$ 29,322,894

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

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government							
Governmental Activities:							
Instruction	$ 108,892,148	$ 236,472	$ 19,998,064	$ (1,122,864)	$ (89,780,476)		$ (89,780,476)
Instruction-related services:							
Supervision of instruction	5,925,556	30,888	1,865,271		(4,029,397)		(4,029,397)
Administrative unit (AU) of multidistrict SELPA	378,471				(378,471)		(378,471)
Instructional library, media and technology	2,402,020	3,260	80,196		(2,318,564)		(2,318,564)
School site administration	9,804,909	1,210	637,900		(9,165,799)		(9,165,799)
Pupil services:							
Pupil transportation	873,975	6,421	474,521		(393,033)		(393,033)
Food services	3,956,798	3,360,542	610,753		14,497		14,497
Other pupil services	7,186,089	12,235	2,008,023		(5,165,831)		(5,165,831)
General administration:							
Data processing services	828,645				(828,645)		(828,645)
Other general administration	7,217,388	174,531	948,229		(6,094,628)		(6,094,628)
Enterprise activities	92,384				(92,384)		(92,384)
Plant services	12,382,881	8,411	148,695		(12,225,775)		(12,225,775)
Interest and other charges	1,478,056				(1,478,056)		(1,478,056)
Transfers to other agencies	16,508,070	214,259	13,348,956		(2,944,855)		(2,944,855)
Depreciation (unallocated)	7,848,464				(7,848,464)		(7,848,464)
Total Governmental Activities	185,775,854	4,048,229	40,120,608	(1,122,864)	(142,729,881)		(142,729,881)
Business-Type Activities:							
Child Development Center	2,449,412	2,995,668				546,256	546,256
Total Primary Government	$ 188,225,266	$ 7,043,897	$ 40,120,608	$ (1,122,864)	(142,729,881)	546,256	(142,183,625)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					65,144,080		65,144,080
Taxes levied for debt service					4,804,780		4,804,780
Federal and state aid not restricted to specific purposes					62,624,276		62,624,276
Interest and investment earnings					308,990	7,028	316,018
Developer fees					2,838,727		2,838,727
Miscellaneous revenue					2,774,057		2,774,057
Transfers					111,900	(111,900)	
Total general revenues					138,606,810	(104,872)	138,501,938
Change in net position					(4,123,071)	441,384	(3,681,687)
Net position - beginning					31,843,823	1,160,758	33,004,581
Net position - ending					$ 27,720,752	$ 1,602,142	$ 29,322,894

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

PLEASANTON UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and equivalents	$ 29,451,643	$ 3,795,900	$ 11,761,637	$ 11,497,988	$ 56,507,168
Restricted Cash and equivalents				4,377,360	4,377,360
Accounts receivable	7,861,311	5,292,792	9,563	138,076	13,301,742
Due from other funds	260,555			2	260,557
Inventories	106,739			24,503	131,242
Prepaid items	133,979				133,979
Total assets	$ 37,814,227	$ 9,088,692	$ 11,771,200	$ 16,037,929	$ 74,712,048
LIABILITIES:					
Accounts payable	$ 5,547,743	$ 9,088,690		$ 1,217,534	$ 15,853,967
Due to other funds	2			234,923	234,925
Unearned revenue	28,969	2			28,971
Total liabilities	5,576,714	9,088,692		1,452,457	16,117,863
FUND BALANCES:					
Nonspendable:					
Revolving cash	70,378				70,378
Inventory	106,739			24,503	131,242
Prepaid items	133,979				133,979
Restricted:					
Instruction	5,517,872				5,517,872
Cafeteria				388,799	388,799
Capital outlay				8,446,518	8,446,518
Debt service				4,383,171	4,383,171
Committed:					
Postemployment benefits	6,345,596				6,345,596
Debt service			$ 4,912,964		4,912,964
Sycamore fund			6,858,236		6,858,236
Adult education				96,077	96,077
Deferred maintenance				1,246,404	1,246,404
Assigned:					
Department/site carryover	200,580				200,580
Supplemental carryover	349,549				349,549
Technology	378,647				378,647
Textbook adoption carryover	3,003,172				3,003,172
Instruction	1,300,000				1,300,000
Routine maintenance	1,390,744				1,390,744
Contingency reserve	3,200,000				3,200,000
CTEIG	499,069				499,069
Pay off Sycamore loan	257,140				257,140
Other assignments	50,000				50,000
Unassigned	9,434,048				9,434,048
Total fund balances	32,237,513		11,771,200	14,585,472	58,594,185
Total liabilities and fund balances	$ 37,814,227	$ 9,088,692	$ 11,771,200	$ 16,037,929	$ 74,712,048

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

PLEASANTON UNIFIED SCHOOL DISTRICT

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

Total fund balance, governmental funds	$ 58,594,185
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is $336,961,712, and the accumulated depreciation is $177,465,678.	159,496,034
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(779,956)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the statement of net position as follows:	
Long-term liabilities, due within one year	(5,585,512)
Due in more than one year:	
Net OPEB Liability	(15,052,318)
Net pension liability	(156,768,148)
Other long-term liabilities	(35,235,841)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources are reported as follows:	
Deferred outflows of resources related to pensions	28,811,907
Deferred inflows of resources related to pensions	(5,759,599)
Total net position, governmental activities	$ 27,720,752

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

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
State apportionment	$ 52,577,091			$ 820,000	$ 53,397,091
Local sources	64,473,794				64,473,794
Total local control funding formula	117,050,885			820,000	117,870,885
Federal revenues	3,361,973	$ 4,349,022		591,160	8,302,155
Other state revenues	22,471,255	11,057,937		4,530	33,533,722
Other local revenues	8,330,533		$ 68,365	11,258,910	19,657,808
Total revenues	151,214,646	15,406,959	68,365	12,674,600	179,364,570
EXPENDITURES:					
Current:					
Instruction	101,848,589			785,915	102,634,504
Instruction-related services:					
Supervision of instruction	5,721,204			10,076	5,731,280
Administrative unit (AU) of multidistrict SELPA	378,471				378,471
Instructional library, media and tech	2,299,822				2,299,822
School site administration	9,109,220	3		291,012	9,400,235
Pupil services:					
Pupil transportation	845,639				845,639
Food services				3,869,930	3,869,930
Other pupil services	6,896,802				6,896,802
General administration:					
Data processing services	796,090				796,090
Other general administration	6,796,989			220,548	7,017,537
Plant services	11,194,437			958,408	12,152,845
Debt service:					
Principal	37,621			5,247,379	5,285,000
Interest and other charges	29,223			1,653,674	1,682,897
Capital outlay	13,009			127,270	140,279
Transfers to other agencies	1,101,114	15,406,956			16,508,070
Total expenditures	147,068,230	15,406,959		13,164,212	175,639,401
Excess (deficiency) of revenues over expenditures	4,146,416		68,365	(489,612)	3,725,169
OTHER FINANCING SOURCES (USES):					
Interfund transfers out	(545,231)			(6,700)	(551,931)
Interfund transfers in	111,900		504,384	47,547	663,831
Total other financing sources (uses)	(433,331)		504,384	40,847	111,900
Increase (decrease) in fund balances	3,713,085		572,749	(448,765)	3,837,069
Fund balances - beginning	28,524,428		11,198,451	15,034,237	54,757,116
Fund balances - ending	$ 32,237,513	$	$ 11,771,200	$ 14,585,472	$ 58,594,185

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

PLEASANTON UNIFIED SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds:	$ 3,837,069
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the government-wide statements report only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation ($7,848,464) exceeds capital outlays ($204,426) in the period.	(7,644,038)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the government-wide statements.	5,285,000
Premiums are recognized as a part of long-term debt transactions in the year of issuance by governmental funds. However, these costs are deferred and amortized in the government-wide statements.	293,615
Changes in the liability for compensated absences and OPEB are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In government-wide statements, they are recognized when earned.	(2,462,879)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in government-wide statements, unmatured interest on long-term debt is accrued at year end.	(88,774)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	(3,343,064)
Change in net position of governmental activities	$ (4,123,071)

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2017

ASSETS:	
Cash and equivalents	$ 1,693,233
Accounts receivable	5,612
Total assets	1,698,845
LIABILITIES:	
Accounts payable	71,071
Due to other funds	25,632
Total liabilities	96,703
NET POSITION:	
Unrestricted	$ 1,602,142

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

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND
YEAR ENDED JUNE 30, 2017

OPERATING REVENUES:	
Charges for services	$ 2,995,668
OPERATING EXPENSES:	
Classified personnel salaries	1,731,900
Employee benefits	510,905
Books and supplies	102,938
Services and other operating expenses	103,669
Total operating expenses	2,449,412
Operating income	546,256
NONOPERATING REVENUES (EXPENSES):	
Interfund transfers out	(111,900)
Interest income	7,028
Total nonoperating revenues (expenses)	(104,872)
Increase in net position	441,384
Net position - beginning	1,160,758
Net position - ending	$ 1,602,142

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

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	$ 2,990,775
Cash paid for operating expenses	(2,434,554)
Net cash and equivalents provided by operating activities	556,221
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(260,052)
CAHS FLOWS FROM INVESTING ACTIVITIES:	
Interest received	7,028
Net increase in cash and equivalents	303,197
Cash and equivalents – beginning of year	1,390,036
Cash and equivalents – end of year	$ 1,693,233
RECONCILIATION OF OPERATING INCOME TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 546,256
Changes in operating assets and liabilities:	
Accounts receivable	(4,893)
Accounts payable	14,858
Net cash and equivalents provided by operating activities	$ 556,221

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

PLEASANTON UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	Student Body Agency Fund
ASSETS:	
Cash and equivalents	$ 800,435
LIABILITIES:	
Due to student groups and other agencies	$ 800,435

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Pleasanton Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except the fiduciary fund.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary fund is reported using the economic resources measurement focus. The fiduciary fund is not included in the government-wide financial statements. The fiduciary fund is reported only in the statement of fiduciary net position at the fund financial statement level.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined "available" as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, and include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have would be offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned, and then unassigned fund balances.

E. 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, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. 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. The District's accounts are organized into major and non-major governmental funds, enterprise fund, and fiduciary fund as follows:

Major Governmental Funds

Major governmental funds, meeting the criteria of a major fund under GASB, comprise the following:

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Additionally, the Special Reserve for Other than Capital Outlay has been combined with the General Fund because it does not meet the definition of a special revenue fund under GASB.

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

The **Special Reserve Fund for Capital Outlay Projects**, a capital projects fund, exists primarily to provide for accumulation of General Fund moneys for capital outlay purposes. The **Sale of Property Reserve Fund (Sycamore Fund)** is a subfund of the **Special Reserve Fund for Capital Outlay Projects** that was established to account for proceeds from the District's sale of real property.

Non-Major Governmental Funds

Funds not meeting the criteria of a major fund are reported as other governmental funds and include the following:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

The **Adult Education Fund** is used to account for state, federal and local revenues for adult educational programs.

The **Cafeteria Fund** is used to account for state, federal and local revenues to operate the food services program.

The **Deferred Maintenance Fund** is used to account for state revenues, and matching funds from the District, that are to be used on maintenance projects for upkeep of district facilities.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following non-major capital projects funds:

The **Building Fund** is used to account for the acquisition and construction of major governmental capital facilities and buildings.

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

The **County School Facilities Fund** is used to account for state apportionment provided for construction and reconstruction of school facilities. During the fiscal year ended June 30, 2017, the County School Facilities Fund refunded $1,167,097 to the Office of Public School Construction for a construction project that did not transpire. For the fiscal year ended June 30, 2017, the statement of revenues and changes in fund balance and the statement of activities reported negative revenue of $1,167,097 in other state revenue and capital grants and contributions revenue, respectively, related to this transaction.

The **Debt Service** funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other debt related costs. The District maintains the following non-major debt service fund:

The **Bond Interest and Redemption Fund**, a debt service fund, is used to account for the accumulation of resources for, and the repayment of general obligation bonds, interest, and other debt-related costs.

Enterprise Fund

An **Enterprise Fund** is used to account for those operations that are financed and operated in a manner similar to private business or where the governing board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District operates one enterprise fund, the **Child Development Fund**.

Fiduciary Fund

An **Agency Fund** is used to account for assets of others for which the District acts as an agent. The District maintains the **Student Body Agency Fund**, which is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. By state law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's Board of Trustees during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and the Special Education Pass-Through Fund are presented as required supplementary information in these financial statements. The Special Reserve for Other than Capital Outlay Fund has been excluded from the General Fund's budgetary comparison schedule and a reconciliation has been added to show differences between GAAP presentation in the fund financial statements and the budgetary basis.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. INVENTORIES AND PREPAID ITEMS

Inventories are recorded at the latest invoice cost. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

I. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Buildings and Improvement of Sites	25-50 years
Furniture and Equipment	15-20 years
Technology Equipment	4-5 years
Vehicles	8 years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 8 for further details related to these pension deferred outflows and inflows.

K. PENSIONS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

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 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 when the employee retires.

M. FUND BALANCE RESERVES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed – Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Trustees) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Administrative Regulation No. 2014-15.03 hereby delegates the authority to assign amounts to be used for specific purposes to the Assistant Superintendent of Business Services for the purpose of reporting these amounts in the financial statements.

Unassigned – The residual balance of the General Fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Trustees, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Trustees. The recommended reserve for a District of this size is a minimum of 3% of general fund expenditures and other financing uses. The District's standard policy is to maintain the minimum reserve. As of June 30, 2017, the District had a Reserve for Economic Uncertainty of $4,464,494 in the General Fund's unassigned fund balance which represents 3% of the budgeted General Fund expenditures and other financing uses on a budgetary basis.

N. PROPERTY TAXES

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

O. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows 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 amounts could differ from those estimates.

Q. FUTURE GASB IMPLEMENTATION

In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.

2. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2017, consist of the following:

	Governmental Activities	Business-Type Activities	Fiduciary Funds
County Treasury	$ 50,893,689	$ 1,175,978	
County Treasury – restricted	4,377,360		
Cash on hand and in banks	8,088	272,814	$ 800,435
Revolving fund	70,378	4,422	
Cash collections awaiting deposit	977,109	240,019	
Deposits in LAIF	4,557,904		
Total cash and equivalents	$ 60,884,528	$ 1,693,233	$ 800,435

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury (the County Treasury). The County Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The County Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. Seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the County Treasury are either secured by federal depository insurance or are collateralized.

The County Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Local Agency Investment Funds

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury and LAIF was not available.

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 values to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the County Treasury investment pool is approximately 393 days.

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury and LAIF investment pool do not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository $645,407.

3. ACCOUNTS RECEIVABLE

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

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total Governmental Activities	Total Business-Type Activities
Federal Government	$2,787,168	$ 5,080,925		$ 89,137	$ 7,957,230	
State Government	3,791,188	211,867	$ 9,563	14,436	4,027,054	$ 5,612
Local Government	1,282,955			34,503	1,317,458	
Total	$7,861,311	$ 5,292,792	$ 9,563	$ 138,076	$ 13,301,742	$ 5,612

4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not depreciated:				
Land	$ 40,624,273			$ 40,624,273
Total capital assets, not depreciated	40,624,273			40,624,273
Capital assets, depreciated:				
Land improvements	29,659,616			29,659,616
Buildings and improvements	261,355,086	$ 5,393		261,360,479
Furniture and equipment	5,118,311	199,033		5,317,344
Total capital assets, depreciated	296,133,013	204,426		296,337,439
Less accumulated depreciation for:				
Land improvements	(27,930,519)	(408,718)		(28,339,237)
Buildings and improvements	(138,179,894)	(7,237,462)		(145,417,356)
Furniture and equipment	(3,506,801)	(202,284)		(3,709,085)
Total accumulated depreciation	(169,617,214)	(7,848,464)		(177,465,678)
Capital assets, net	$ 167,140,072	$ (7,644,038)	$	$ 159,496,034

5. INTERFUND TRANSACTIONS

Interfund transactions include loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2017 were as follows:

	Payable Fund			
Receivable Fund	General Fund	Other Governmental Funds	Enterprise Fund	Total
General Fund		$ 234,923	$ 25,632	$ 260,555
Other Governmental Funds	$ 2	2		2
Total	$ 2	$ 234,925	$ 25,632	$ 260,557

Interfund receivables and payables included in the financial statements are paid and cleared in the subsequent period.

As of June 30, 2017 the General Fund and Deferred Maintenance Fund had long-term advances due to the Sycamore Fund of $166,451 and $88,042, respectively. The advances are not included as interfund receivables and payables because at establishment of the advances repayment amounts were not expected within a reasonable period of time. At inception, the advances are reported as transfers from the Sycamore Fund to the respective funds that received the advances. The District has a self-imposed timeline for repayment of the advances. The advance due from the General Fund (the FY 10/11 Hearst Mod Remediation Loan) was expected to be repaid with interest over a 5 year period beginning in fiscal year 2013. The advances due from the General Fund (Wireless LAN Project) are expected to be repaid with interest over a 4 year period. The advance due from the Deferred Maintenance Fund (the FY 07/08 Hearst Roofing Loan) was expected to be repaid with interest over a 4 year period beginning September 30, 2008. During the fiscal year ended June 30, 2017, repayments in the amount of $362,426 and $141,958 were made from the General Fund and Deferred Maintenance Fund, respectively.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. There are no significant and/or non-routine transfers for the fiscal year ended June 30, 2017.

Interfund transfers for the year ended June 30, 2017, were as follows:

	Transfers In			
Transfers Out	**General Fund**	**Special Reserve Fund for Capital Outlay Projects**	**Other Governmental Funds**	**Total**
General Fund		$ 504,384	$ 40,847	$ 545,231
Other Governmental Funds			6,700	6,700
Enterprise Fund	$ 111,900			111,900
Total	$ 111,900	$ 504,384	$ 47,547	$ 663,831

6. LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2017 consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Balance Due in One Year
Governmental Activities					
General obligation bonds	$ 24,299,976		$ (4,380,000)	$ 19,919,976	$ 2,828,577
Unamortized premium	2,348,920		(293,615)	2,055,305	293,615
Accreted interest	2,421,230	$ 172,945		2,594,175	1,006,423
Certificates of Participation	16,635,000		(905,000)	15,730,000	935,000
Compensated absences	626,118		(104,221)	521,897	521,897
Total	$ 46,331,244	$ 172,945	$ (5,682,836)	$ 40,821,353	$ 5,585,512

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 Capital Facilities Fund and a small portion from the General Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on the postemployment benefits are made from the General Fund, regardless of the fund for which the related employee worked. Payments on the compensation absences are made from the fund for which the related employee worked.

General Obligation Bonds

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2016	Additions	Deductions	Bonds Outstanding June 30, 2017
2003 Refunding Series A	2003	2017	1.35 - 5.25%	$14,845,000	$ 1,530,000		$ 1,530,000	
2003 Refunding Series B	2003	2022	1.00 - 4.50%	19,474,976	964,976			$ 964,976
2013 Refunding	2013	2013	3.00 - 5.00%	14,565,000	12,495,000		1,610,000	10,885,000
2014 Refunding	2014	2023	2.00 - 4.00%	11,100,000	9,310,000		1,240,000	8,070,000
					$ 24,299,976	$	$ 4,380,000	$ 19,919,976

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 2,828,577	$ 1,598,798	$ 4,427,375
2019	1,896,399	2,254,377	4,150,776
2020	4,020,000	564,275	4,584,275
2021	4,475,000	405,775	4,880,775
2022	4,805,000	208,725	5,013,725
2023-2024	1,895,000	85,050	1,980,050
Total	$ 19,919,976	$ 5,117,000	$ 25,036,976

Certificates of Participation

On June 10, 2010 the District entered into a lease/purchase agreement with Alameda Contra Costa School Financing Authority for the issuance of Certificates of Participation (2010 COPs) in the amount of $17,510,000. The 2010 COPS were sold on behalf of the District to refinance the 2002 and 2003 Certificates of Participation which provided funds for the acquisition and construction of certain projects. The COP refunding was split into $13,010,000 of serial certificates and $4,500,000 of term certificates which bear a fixed rate per annum. The 2010 COPs are scheduled to mature annually through August 1, 2029.

The 2010 COPs require annual payments as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 935,000	$ 672,344	$ 1,607,344
2019	970,000	641,294	1,611,294
2020	1,005,000	604,944	1,609,944
2021	1,045,000	563,944	1,608,944
2022	1,085,000	521,344	1,606,344
2023-2027	6,190,000	1,852,359	8,042,359
2028-2030	4,500,000	345,000	4,845,000
Total	$ 15,730,000	$ 5,201,229	$ 20,931,229

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In addition to the pension benefits described in Note 8, the District provides postretirement healthcare benefits to employees. The District funds up to five retirement award packages each year for certificated non-management retirees wherein each eligible retiree shall receive a lump-sum amount towards an IRC 403(b) account. If an eligible retiree's application is not funded, the retiree will receive District-paid benefits. The District offers a Golden Handshake Program for management retirees wherein each eligible retiree shall receive either District paid benefits or lump-sum amount towards an IRC 403(b) account.

Certificated retirees must be at least age 55 with 10 years of service. Classified retirees must be at least age 55 with 10 years of service. Management retirees must be at least age 55 with at least 10 years of service to the District. All groups receive the same dental coverage. The District provides an explicit subsidy for pre 65 medical and dental benefits for all retirees except those Management retirees that chose the Golden Handshake program. For Management retirees to be eligible for the Golden Handshake program, a member with either a combined 10 years as an administrator/employee in the District, or 7 years as an administrator in the District and who is at least 55 years of age. The amount of benefits described is subject to increase based on yearly Cost of Living Adjustment (COLA) calculations.

Contributions are required for both retiree and dependent coverage. Depending on the employee group and the terms of retirement, the District provides an explicit subsidy for all eligible retirees except those that are in the Management Early Retirement programs. The duration of the subsidy is either 5 or 7 years depending on the retiree's choice of coverage and until the retiree reaches 65, whichever comes first. The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board.

As of June 30, 2017, 175 retirees were receiving benefits. As of June 30, 2017, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan. The June 30, 2017 contributions consist of $1,026,221 postemployment benefits for current retirees on a pay-as-you-go basis. The change in other postemployment benefits does not include the transfer from the general fund to the special reserve fund for other than capital outlay fund of $1,203,000 as this does not meet GASB qualification for a contribution. As of June 30, 2017, the District has committed approximately $6.3 million for postemployement benefits.

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents multiyear information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll over a rolling 30 years
Remaining amortization period at June 30, 2017	29
Discount rate assumption	4.5%
Health inflation assumption	5-7%

Annual required contribution	$ 3,593,321
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB expense	3,593,321
Contributions made:	
Payment to insurers/retirees	(1,026,221)
Increase in OPEB obligation	2,567,100
Net OPEB obligation at July 1, 2016	12,485,218
Net OPEB obligation at June 30, 2017	$ 15,052,318

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017 and the preceding two years is as follows:

Fiscal year ended	Annual OPEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/15	$ 2,172,000	46%	$ 10,132,964
6/30/16	$ 3,480,144	32%	$ 12,485,218
6/30/17	$ 3,593,321	29%	$ 15,052,318

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2015, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/15	$ 0	$ 28,561,883	$ 28,561,883	0%	$ 94,213,075	30%

8. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2017, was 12.58% of annual pay. District contributions to the CalSTRS Plan were $10,009,054 for the year ended June 30, 2017.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 4.311% in 2016-17. The increased contributions end as of fiscal year 2046-47. The State contribution rate for the period ended June 30, 2017, was 8.828% of the District's 2014-15 creditable CalSTRS compensation.

Actuarial Assumptions

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

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return(1)	7.60%
Mortality(2)	CalSTRS' Membership Data
	2% simple for DB (Annually)
	Maintain 85% purchasing power Level for DB
Post-Retirement Benefit Increase	Not applicable for DBS /CBB

(1) Net of investment expenses, but gross of administrative expenses.

(2) CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.60%. 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 increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan'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.

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 board on 2012 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 for the year ended June 30, 2016, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits 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. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2017, was 13.888% of annual pay. District contributions to the CalPERS Plan were $2,543,175 for the year ended June 30, 2017.

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases[(1)]	Varies
Investment Rate of Return[(2)]	7.65%
Mortality[(3)]	CalPERS' Membership Data
Post-Retirement Benefit Increase[(4)]	Up to 2.75%

(1) Depending on age and service
(2) Net of pension plan investment; includes inflation
(3) 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, refer to the April 2014 experience study report.
(4) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the amortization and smoothing periods recently adopted by the Board were used. A projection of expected benefit payments and contributions was performed for the Plan to determine if the 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 CalPERS Plan. The results of the crossover testing for the CalPERS Plan are presented in a detailed report that can be obtained from the 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 pension fund cash flows. Using historical returns of all the funds' 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[(a)]	Real Return Years 11+[(b)]
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

[(a)] An expected inflation of 2.5% was used for this period.
[(b)] An expected inflation of 3.0% was used for this period.

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

As of June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's 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:	
CalSTRS Plan	$ 125,365,550
CalPERS Plan	31,402,598
Total District net pension liability	156,768,148
State's proportionate share of CalSTRS net pension liability associated with the District	71,546,605
Total	$ 228,314,753

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2016, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2016, was 0.155% and 0.159% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.004% and 0.0014%, respectively, from its proportion measured as of June 30, 2015 for CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2017, the District recognized pension expense of $12,816,782 and revenue of $6,930,354 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,350,613	$ (3,058,150)
Changes in assumptions		(943,461)
Changes in proportion		(1,757,988)
Change in proportionate share of contributions	69,891	
Net differences between projected and actual investment earnings of pension plan investments	14,839,174	
District contributions subsequent to measurement date	12,552,229	
Total	$ 28,811,907	$ (5,759,599)

The $12,552,229 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	$ 159,664
2019	168,607
2020	7,364,666
2021	4,248,228
2022	(761,787)
Thereafter	(679,300)

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 of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 180,429,300	$ 125,365,550	$ 79,632,800

	Discount Rate –1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 46,852,852	$ 31,402,598	$ 18,537,222

9. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

10. PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint powers authorities (JPAs), the East Bay Schools Insurance Group (EBSIG) and the Alameda County Schools Insurance Group (ACSIG). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

EBSIG arranges for and provides property and liability insurance for its members. ACSIG arranges for and provides workers' compensation insurance for its members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

Condensed unaudited financial information for ACSIG for the year ended June 30, 2016, is as follows:

Total Assets	$ 38,370,101
Total Deferred Outflows of Resources	44,203
Total Liabilities	(30,621,577)
Total Deferred Inflows of Resources	(63,483)
Total Liabilities and Net Position	$ 7,729,244
Total Revenues	$ 152,251,135
Total Expenses	(145,393,809)
Increase in Net Position	$ 6,857,326

Condensed unaudited financial information for EBSIG for the year ended June 30, 2016, is as follows:

Total Assets	$ 2,799,528
Total Liabilities	(1,930,330)
Total Net Position	$ 869,198
Total Revenues	$ 5,483,407
Total Expenses	(5,012,134)
Increase in Net Position	$ 471,273

Complete separate financial statements for either JPA may be obtained from the District or JPA.

11. CALPERS, SPECIAL RESERVE FOR OTHER THAN CAPITAL OUTLAY FUND

As a result of the agreement between the District and the Management/Confidential employees, the District will transfer on an annual basis from the General Fund to the Special Reserve Fund for Other than Capital Outlay Fund for the shift to CalPERS for medical insurance. The $29,000 transfer is a portion of the approved 1% salary increase for Management/Confidential employees during the fiscal year ending June 30, 2014. On November 12, 2013, the board approved the salary schedule increase of 0.74%. The balance of 0.26% or $29,000 is transferred annually per agreement.

On a quarterly basis, the District will transfer funds back to the General Fund from the Special Reserve Fund to cover the actual costs. The accounting of funds is provided below for the fiscal year ended June 30, 2017:

CalPERS - Management		
Beginning balance	$	51,248
Transfer in from General Fund - CalPERS Management		29,000
Transfer out - Active Members/Retirees		(40,486)
Ending balance	$	39,762

As a result of the agreement between the District and the Association of Pleasanton Teachers (APT), which was approved by the Board of Trustees on June 18, 2013, the District will transfer $0.5 million on an annual basis from the General Fund to the Special Reserve Fund for Other than Capital Outlay Fund for the shift to CalPERS for medical insurance. The $500,000 transfer is in lieu of a salary schedule increase.

On a quarterly basis, the District will transfer funds back to the General Fund from the Special Reserve Fund to cover the actual costs. The accounting of funds is provided below for the fiscal year ended June 30, 2017:

CalPERS - APT		
Beginning balance	$	601,141
Transfer in from General Fund - CalPERS APT		500,000
Transfer out - Active Members/Retirees		(362,920)
Ending balance	$	738,221

12. SUBSEQUENT EVENT

On October 11, 2017 the District issued the General Obligation Bonds, Election of 2016, Series 2017 (2017 Series) in the amount of $70,645,000, with interest rates ranging from 1.18% to 5.00%, to provide funds to prepay portion of the District's 2010 COPs and to finance specific construction, repair and improvement projects approved by voters of the District.

REQUIRED SUPPLEMENTARY INFORMATION

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/11	$ 0	$ 21,217,000	$ 21,217,000	0%	$ 80,916,528	26%
7/1/13	$ 0	$ 16,920,000	$ 16,920,000	0%	$ 89,384,233	19%
7/1/15	$ 0	$ 28,561,883	$ 28,561,883	0%	$ 94,213,075	30%

PLEASANTON UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Budget to GAAP (a)	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
REVENUES:					
State apportionment	$ 57,503,276	$ 51,709,405	$ 52,577,091		$ 52,577,091
Local sources	59,585,139	65,379,917	64,473,794		64,473,794
Total local control funding formula	117,088,415	117,089,322	117,050,885		117,050,885
Federal revenues	3,474,726	3,980,263	3,361,973		3,361,973
Other state revenues	21,107,665	22,955,290	22,471,255		22,471,255
Other local revenues	1,320,924	8,341,207	8,290,932	$ 39,601	8,330,533
Total revenues	142,991,730	152,366,082	151,175,045	39,601	151,214,646
EXPENDITURES:					
Certificated personnel salaries	78,010,384	81,428,919	80,262,768		80,262,768
Classified personnel salaries	18,226,031	19,328,185	18,864,844		18,864,844
Employee benefits	24,756,976	26,724,024	25,846,218		25,846,218
Books and supplies	9,251,464	12,326,465	6,319,856		6,319,856
Services and other operating expenditures	14,468,397	17,211,419	14,653,682		14,653,682
Capital outlay	127,681	205,359	173,451		173,451
Other outgo	1,164,833	1,235,073	1,167,959		1,167,959
Allocation of indirect costs	(225,030)	(225,030)	(220,548)		(220,548)
Total expenditures	145,780,736	158,234,414	147,068,230		147,068,230
Excess of revenues over expenditures	(2,789,006)	(5,868,332)	4,106,815	39,601	4,146,416
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	692,764	196,837	545,065	(433,165)	111,900
Interfund transfers out	(1,385,805)	(1,869,491)	(1,748,231)	1,203,000	(545,231)
Total other financing sources (uses)	(693,041)	(1,672,654)	(1,203,166)	769,835	(433,331)
Net increase (decrease) in fund balance	(3,482,047)	(7,540,986)	2,903,649	809,436	3,713,085
Fund balance – beginning	22,988,268	22,988,268	22,988,268	5,536,160	28,524,428
Fund balance – ending	$ 19,506,221	$ 15,447,282	$ 25,891,917	$ 6,345,596	$ 32,237,513

(a) Differences are a result of the District including activity of the Special Reserve for Other than Capital Outlay Fund with the General Fund for GAAP reporting. (See Note 1F)

PLEASANTON UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION PASS-THROUGH FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	GAAP Basis
REVENUES:			
Federal revenues	$ 3,938,532	$ 4,311,243	$ 4,349,022
Other state revenues	10,672,772	10,862,092	11,057,937
Total revenues	14,611,304	15,173,335	15,406,959
EXPENDITURES:			
Other outgo	14,611,304	15,023,688	15,406,959
Total expenditures	14,611,304	15,023,688	15,406,959
Net change in fund balance		149,647	
Fund balance – beginning			
Fund balance – ending	$	$ 149,647	$

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalSTRS Plan

	Measurement Date		
	2016	2015	2014
District's proportion of the net pension liability	.155%	.159%	.157%
District's proportionate share of the net pension liability	$ 125,365,550	$ 107,045,160	$ 91,746,090
State's proportionate share of the net pension liability associated with the District	71,546,605	56,774,903	55,260,292
Total	$ 196,912,155	$ 163,820,063	$ 147,006,382
District's covered-employee payroll	$ 78,191,439	$ 72,833,668	$ 70,404,045
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160%	147%	130%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalPERS Plan

	Measurement Date		
	2016	2015	2014
District's proportion of the net pension liability	0.1590%	.1604%	.1620%
District's proportionate share of the net pension liability	$ 31,402,598	$ 23,643,1188	$ 18,368,240
District's covered-employee payroll	$ 19,136,167	$ 17,751,101	$ 16,939,425
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 10,009,054	$ 8,384,573	$ 6,479,899
Contributions in relation to the contractually required contributions	(10,009,054)	(8,384,573)	(6,479,899)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 79,498,369	$ 78,191,439	$ 72,833,668
Contributions as a percentage of covered-employee payroll	12.590%	10.72%	8.90%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,543,175	$ 2,266,942	$ 2,089,289
Contributions in relation to the contractually required contributions	(2,543,175)	(2,266,942)	(2,089,289)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 19,076,180	$ 19,136,167	$ 17,752,101
Contributions as a percentage of covered-employee payroll	13.33%	11.85%	11.80%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

ADDITIONAL INFORMATION SECTION

PLEASANTON UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
ALL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Bond Interest and Redemption Fund	Deferred Maintenance Fund	Building Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Funds
ASSETS:								
Cash and equivalents		$ 1,250,754		$ 126,191	$ 516,116	$ 3,810,802	$ 5,794,125	$ 11,497,988
Restricted cash and equivalents	$ 4,377,360							4,377,360
Accounts receivable	5,811	1,660	$ 6,265	22,594	89,137	4,917	7,692	138,076
Due from other funds				2				2
Inventories					24,503			24,503
Total assets	$ 4,383,171	$ 1,252,414	$ 6,265	$ 148,787	$ 629,756	$ 3,815,719	$ 5,801,817	$ 16,037,929
LIABILITIES:								
Accounts payable		$ 6,010		$ 10,354	$ 23,888	$ 16,185	$ 1,161,097	$ 1,217,534
Due to other funds			$ 1	42,356	192,566			234,923
Total liabilities		6,010	1	52,710	216,454	16,185	1,161,097	1,452,457
FUND BALANCES:								
Nonspendable					24,503			24,503
Restricted	$ 4,383,171		6,264		388,799	3,799,534	4,640,720	13,218,488
Committed		1,246,404		96,077				1,342,481
Total fund balances	4,383,171	1,246,404	6,264	96,077	413,302	3,799,534	4,640,720	14,585,472
Total liabilities and fund balances	$ 4,383,171	$ 1,252,414	$ 6,265	$ 148,787	$ 629,756	$ 3,815,719	$ 5,801,817	$ 16,037,929

PLEASANTON UNIFIED SCHOOL DISTRICT

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

	Bond Interest and Redemption Fund	Deferred Maintenance Fund	Building Fund	Adult Education Fund	Cafeteria Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Funds
REVENUES:								
State apportionment		$ 820,000						$ 820,000
Federal revenues					$ 591,160			591,160
Other state revenues	$ 24,293			$ 1,097,664	43,670		$ (1,161,097)	4,530
Other local revenues	4,800,841	7,439	$ 6,334	15,420	3,534,960	$ 2,855,683	38,233	11,258,910
Total revenues	4,825,134	827,439	6,334	1,113,084	4,169,790	2,855,683	(1,122,864)	12,674,600
EXPENDITURES:								
Current:								
Instruction				785,915				785,915
Instruction-related services:								
Supervision of instruction				10,076				10,076
School site administration				291,012				291,012
Pupil services:								
Food services					3,869,930			3,869,930
Other pupil services								
General administration:								
Other general administration				31,543	189,005			220,548
Plant services		741,711			4,421	212,279	(3)	958,408
Debt service:								
Principal	4,380,000					867,379		5,247,379
Interest and other charges	979,916					673,758		1,653,674
Capital outlay			82,688				44,582	127,270
Total expenditures	5,359,916	741,711	82,688	1,118,546	4,063,356	1,753,416	44,579	13,164,212
Excess (deficiency) of revenues over expenditures	(534,782)	85,728	(76,354)	(5,462)	106,434	1,102,267	(1,167,443)	(489,612)
OTHER FINANCING USES:								
Interfund transfers out							(6,700)	(6,700)
Interfund transfers in			6,700		40,847			47,547
Total other financing sources and (uses)			6,700		40,847		(6,700)	40,847
Increase (decrease) in fund balances	(534,782)	85,728	(69,654)	(5,462)	147,281	1,102,267	(1,174,143)	(448,765)
Fund balances - beginning	4,917,953	1,160,676	75,918	101,539	266,021	2,697,267	5,814,863	15,034,237
Fund balances - ending	$ 4,383,171	$ 1,246,404	$ 6,264	$ 96,077	$ 413,302	$ 3,799,534	$ 4,640,720	$ 14,585,472

PLEASANTON UNIFIED SCHOOL DISTRICT

BALANCE SHEET AND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS YEAR ENDED JUNE 30, 2017

Balance Sheet – Special Reserve Fund for Capital Outlay Projects

	Special Reserve Fund for Capital Outlay Projects - Sub-fund 40	Sycamore Fund - Sub-fund 41	Total
ASSETS:			
Cash and cash equivalents	$ 4,903,400	$ 6,858,237	$ 11,761,637
Accounts receivable	9,563		9,563
Total assets	$ 4,912,963	$ 6,858,237	$ 11,771,200
FUND BALANCES:			
Committed	$ 4,912,963	$ 6,858,237	$ 11,771,200
Total fund balances	$ 4,912,963	$ 6,858,237	$ 11,771,200

Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Reserve Fund for Capital Outlay Projects

	Special Reserve Fund for Capital Outlay Projects - Sub-fund 40	Sycamore Fund - Sub-fund 41	Total
REVENUE:			
Other local sources	$ 49,550	$ 18,815	$ 68,365
Total revenues	49,550	18,815	68,365
OTHER FINANCING SOURCES (USES):			
Interfund transfers in		504,384	504,384
Total other financing sources (uses)		504,384	504,384
Decrease in fund balance	49,550	523,199	572,749
Fund balance -beginning	4,863,413	6,335,038	11,198,451
Fund balance - ending	$ 4,912,963	$ 6,858,237	$ 11,771,200

SUPPLEMENTARY INFORMATION

PLEASANTON UNIFIED SCHOOL DISTRICT

ORGANIZATION
YEAR ENDED JUNE 30, 2017

DESCRIPTION OF DISTRICT

Pleasanton Unified School District was established in 1988. The District is a political subdivision of the State of California. The District is located in the city of Pleasanton in Alameda County within 22 square miles. There were no changes in the District boundaries in the current year. The District currently operates nine elementary schools, three middle schools, two comprehensive high schools and one continuation high school.

The Board of Trustees of Pleasanton Unified School District is comprised of five elected officials who develop and set policies for the District which are then implemented by the Superintendent and the administrative team.

BOARD OF TRUSTEES

Name	Office	Term Expires
Joan Laursen	President	December 2018
Mark Miller	Vice - President	December 2018
Jamie Yee Hintzke	Member	December 2020
Steve Maher	Member	December 2020
Valerie Arkin	Member	December 2020

ADMINISTRATION

David Haglund .... Superintendent

Micaela Ochoa .... Deputy Superintendent, Business Services

Odie Douglas, Ed.D. .... Assistant Superintendent, Educational Services

Julio Hernandez .... Assistant Superintendent, Human Resources

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

DISTRICT

	Second Period Report	Annual Report
Elementary:		
Kindergarten through 3	3,857	3,865
Grades 4 through 6	3,313	3,317
Grades 7 and 8	2,414	2,416
Special Ed	13	13
Elementary Totals	9,597	9,611
High School:		
Grades 9 through 12	4,756	4,742
Special Ed	9	9
High School Totals	4,765	4,751
TOTAL ADA	14,362	14,362

See the accompanying notes to supplementary information.

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

Charter School	Included/Not Included
NONE	

See the accompanying notes to supplementary information.

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Instructional Days Offered	Status
DISTRICT				
Kindergarten	36,000	36,000	180	In Compliance
Grades 1	50,400	50,440	180	In Compliance
Grades 2	50,400	50,440	180	In Compliance
Grades 3	50,400	50,560	180	In Compliance
Grades 4	54,000	55,280	180	In Compliance
Grades 5	54,000	55,280	180	In Compliance
Grades 6	54,000	56,111	180	In Compliance
Grades 7	54,000	56,111	180	In Compliance
Grades 8	54,000	56,111	180	In Compliance
Grades 9	64,800	68,407	180	In Compliance
Grades 10	64,800	68,407	180	In Compliance
Grades 11	64,800	68,407	180	In Compliance
Grades 12	64,800	68,407	180	In Compliance

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

PLEASANTON UNIFIED SCHOOL DISTRICT

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

GENERAL FUND – BUDGETARY BASIS [2]

	June Adopted Budget 2018	2017	2016	2015
Revenues and other financial sources	$ 146,143,848	$ 151,720,110	$ 152,462,162	$ 134,099,246
Expenditures and other financial uses	148,518,754	148,816,461	145,844,785	134,987,227
Change in fund balance	$ (2,374,906)	$ 2,903,649	$ 6,617,377	$ (887,981)
Ending fund balance	$ 23,517,011	$ 25,891,917	$ 22,988,268	$ 16,370,891
Available reserves [1]	$ 6,595,990	$ 9,434,048	$ 12,624,685	$ 7,260,854
Reserved for economic uncertainties	$ 4,455,563	$ 4,464,494	$ 4,386,594	$ 3,925,270
Unassigned fund balance	$ 2,140,428	$ 4,969,554	$ 8,238,091	$ 3,335,584
Available reserves as a percentage of total outgo	4.4%	6.3%	8.7%	5.4%
Total long-term debt	$ 206,437,086	$ 212,641,819	$ 189,504,740	$ 178,301,699
Average daily attendance At P-2	14,376	14,362	14,377	14,344

[1] Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

[2] This schedule reflects the General Fund on a budgetary fund basis, which excludes the Special Reserve Fund for Other Than Capital Outlay Projects.

The general fund balance has increased by $9,521,026 over the past two years. The fiscal year 2017-18 budget projects a deficit of $2,374,906. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has generated operating surpluses two of the past three years. The district anticipates an operating deficit in 2017-18. Total long-term debt has increased by $34,340,120 over the past two years.

Average daily attendance has increased by 18 over the past two years. An increase of 14 ADA is anticipated during fiscal year 2017-18.

See the accompanying notes to supplementary information.

PLEASANTON UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	$ 591,160
Subtotal Child Nutrition Cluster			591,160
U.S. Department of Education:			
School Climate Transformation Program	84.184G	N/A	483,818
Passed-Through CDE:			
Special Education Cluster (IDEA):			
IDEA Basic Grant Entitlement	84.027	13379	5,463,745
IDEA Special Education Preschool Grant	84.173	13430	97,446
IDEA Preschool Local Entitlement	84.027A	13682	451,407
IDEA State Systemic Improvement Activities	84.027A	15321	40,000
IDEA Preschool Staff Development	84.173A	13431	1,279
IDEA Mental Health	84.027A	14468	382,948
Subtotal Special Education Cluster (IDEA)			6,436,825
Title III:			
Title III, LEP Program	84.365	14346	145,600
Title III, Immigrant Education Program	84.365	15146	34,613
Subtotal Title III			180,213
IDEA Early Intervention Grants, Part C	84.181	23761	104,880
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	290,688
Title II: Teacher Quality	84.367A	14341	165,698
Advanced Placement Program	84.330	N/A	7,676
VOC Programs: Perkins Act	84.048	14894	50,437
Total U.S Department of Education			7,720,235
Total Expenditures of Federal Awards			$ 8,311,395

Of the federal expenditures presented above, the District provided federal awards to subrecipients as follows:

	Federal CFDA Number	Amount Provided to Subrecipients
IDEA Basic Grant Entitlement	84.027	$ 3,589,644
IDEA Special Education Preschool Grant	84.173	97,446
IDEA Preschool Local Entitlement	84.027A	354,358
IDEA Mental Health	84.027A	259,758
IDEA Preschool Staff Development	84.173A	1,099
IDEA Early Intervention Grants, Part C	84.181	46,716
Total Amount Provided to Subrecipients		$ 4,349,021

See the accompanying notes to supplementary information.

PLEASANTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2017 Annual Financial and Budget Report Fund Balance	$ 25,891,917	$ 6,345,596
Change in fund type classification per GASB Statement No. 54	6,345,596	(6,345,596)
June 30, 2017 Audited Financial Statements Fund Balance	$ 32,237,513	$

See the accompanying notes to supplementary information.

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 CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

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

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2017, was conducted in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

Gilbert Associates, Inc.
CPAs and Advisors

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*

Independent Auditor's Report

Members of 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasanton Unified School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding number 2017-001 to be a material weakness.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO, CA 95833 · 101 PARKSHORE DRIVE, SUITE 100, FOLSOM, CA 95630
PHONE: 916.646.6464 · FAX: 916.929.6836 · GilbertCPA.com

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 15, 2017

Gilbert Associates, Inc.
CPAs and Advisors

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Pleasanton Unified School District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the 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 the District's compliance.

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Special Education Cluster subrecipient monitoring requirements as described in finding number 2017-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO, CA 95833 · 101 PARKSHORE DRIVE, SUITE 100, FOLSOM, CA 95630
PHONE: 916.646.6464 · FAX: 916.929.6836 · GilbertCPA.com

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding number 2017-0012 to be a material weakness in internal control over compliance.

District's Response to Finding

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

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 15, 2017

Gilbert Associates, Inc.
CPAs and Advisors

REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2016-17 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

Independent Auditor's Report

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

Report on State Compliance

We have audited the Pleasanton Unified School District's (the District) compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO, CA 95833 · 101 PARKSHORE DRIVE, SUITE 100, FOLSOM, CA 95630
PHONE: 916.646.6464 · FAX: 916.929.6836 · GilbertCPA.com

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
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	Not Applicable
Immunizations	Not Applicable
CHARTER SCHOOLS	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-classroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2017.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 15, 2017

FINDINGS AND RECOMMENDATIONS SECTION

PLEASANTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X Yes	____ No
Significant deficiencies identified?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	X Yes	____ No
Significant deficiencies identified?	____ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Modified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	____ No

Identification of major programs

CFDA Numbers	Name of Federal Programs or Cluster
84.027, 84.173, 84.027A, 84.173A	Special Education Cluster (IDEA)

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

Internal control over state programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified?	____ Yes	X None Reported
Any audit findings disclosed that are required to be disclosed in accordance with *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*?	____ Yes	X No
Type of auditor's report issued on compliance for state programs:	Unmodified	

FINANCIAL STATEMENT

2017-001: INTERNAL CONTROLS OVER CAPITAL ASSETS – CDDC #30000

Criteria/Condition:

One element of the District's internal control over financial reporting is the ability to provide financial statements in accordance with Generally Accepted Accounting Principles (GAAP.) This includes internal controls that can detect material misstatements in the financial statements independent of the financial statement audit. Material adjustments arising from the audit of the District are generally an indication that internal controls over financial reporting are not operating effectively. We discovered differences when comparing the June 30, 2016 audited financial statements to the District's detail listing of capital assets in the accounting system. In addition, the District's accounting system did not properly calculate depreciation expense for the fiscal year ended June 30, 2017.

Cause/Effect:

The differences between the June 30, 2016 audited financial statements to the District's detail listing of capital assets in the accounting system appears to be caused by an inaccurate and/or incomplete update to the accounting system for the physical inventory that was conducted during the fiscal year ended June 30, 2016. The cause of the improper calculation of depreciation expense for the fiscal year ended June 30, 2017 is unknown. Although District management has drafted procedures to reconcile the capital asset listing to the financial statements at least annually to detect such errors, these procedures were not properly adhered to capture the differences detected during the June 30, 2017 financial statement audit.

Questioned Costs:

No questioned costs. Although the errors identified remain uncorrected in the accounting system, the errors were corrected in the audited financial statements before issuance.

Recommendation:

We recommend the District further develop and implement the procedures to reconcile their capital asset listing to the financial statements at least annually and at all times before the audited financial statements are issued.

Management's Response:

The Fiscal Services, Purchasing, and Technology departments will develop and implement procedures to reconcile the capital asset listing to the financial statement annually, and assure Capital Assets software is reviewed to detect/correct variances prior to completing the unaudited actuals.

STATE COMPLIANCE

There were no state compliance findings reported.

FEDERAL COMPLIANCE

2017-002 SPECIAL EDUCATION CLUSTER: SUBRECIPIENT MONITORING – CDDC #50000 and #30000

Federal Agency: U.S. Department of Education
Catalog Number: 84.027, 84.173, 84.027A, 84.173A
Grant Number: Various
Name of Pass-Through Entity: California Department of Education

Criteria:

As noted in OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), a pass-through entity is responsible for the following:

Ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that each subrecipient takes timely and appropriate corrective action on all audit findings.

At the time of the subaward, identify to the subrecipient the federal award information (e.g., CFDA title and number; award name and number; and name of federal awarding agency) and applicable compliance requirements.

Monitor the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.

Condition:

The Tri-Valley Special Education Local Plan Area (SELPA) is a consortium of participating school districts including Dublin, Livermore, Pleasanton, Sunol, Mt. House, and the Alameda County Office of Education formed for the purpose of ensuring that quality special education programs and services are available throughout the Tri-Valley to meet the individual needs of special education students. As the SELPA's Administrative Unit, the District is the pass-through entity responsible for subrecipient monitoring of the SELPA participants as described in the criteria above. The District did not adequately monitor its subrecipients' audit reports and audit findings as described in the criteria above. In addition, the District was not able to demonstrate that they adequately communicated the federal award information and monitored the subrecipients' use of federal awards as described in the criteria above.

Cause:

The District does not have sufficient procedures to ensure monitoring requirements of subrecipient are taking place and adequately documented.

Effect:

Noncompliance at the subrecipient level may occur and not be detected by the District.

Questioned Cost:

Questioned costs consist of Special Education Cluster pass-through funds to subrecipients for the year ended June 30, 2017, which total $4,349,021.

Recommendation:

We recommend that the District implement procedures to ensure subrecipient audits reports are completed timely, audit findings related to subrecipients are identified and if applicable, management decisions are issued for subrecipient findings and appropriate corrective action is taken within the designated timeframe. In addition, we recommend that the District implement procedures to ensure documentation is maintained to demonstrate that they adequately communicated the federal award information and monitored the subrecipients' use of federal awards.

Management Response:

The District will ensure the Special Education Local Plan Area (SELPA) implement procedures to ensure that member Districts' audit reports are completed timely and related audit findings are discussed with the SELPA Senior Director to ensure appropriate corrective action is taken within the designated timeframe. The District will implement procedures to communicate federal award information and monitor the subrecipients' use of federal awards.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported in the prior year.

FEDERAL COMPLIANCE

There were no federal compliance findings reported in the prior year.

STATE COMPLIANCE

There were no state compliance findings reported in the prior year.