PLEASANTON UNIFIED SCHOOL DISTRICT

PLEASANTON, CALIFORNIA

AUDIT REPORT

YEAR ENDED JUNE 30, 2018

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

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FINANCIAL SECTION

INDEPENDENT AUDITORS' 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, 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.

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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 2017-18 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.

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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, 2018, 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.

CWDL, Certified Public Accountants

San Diego, California
December 15, 2018

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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, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

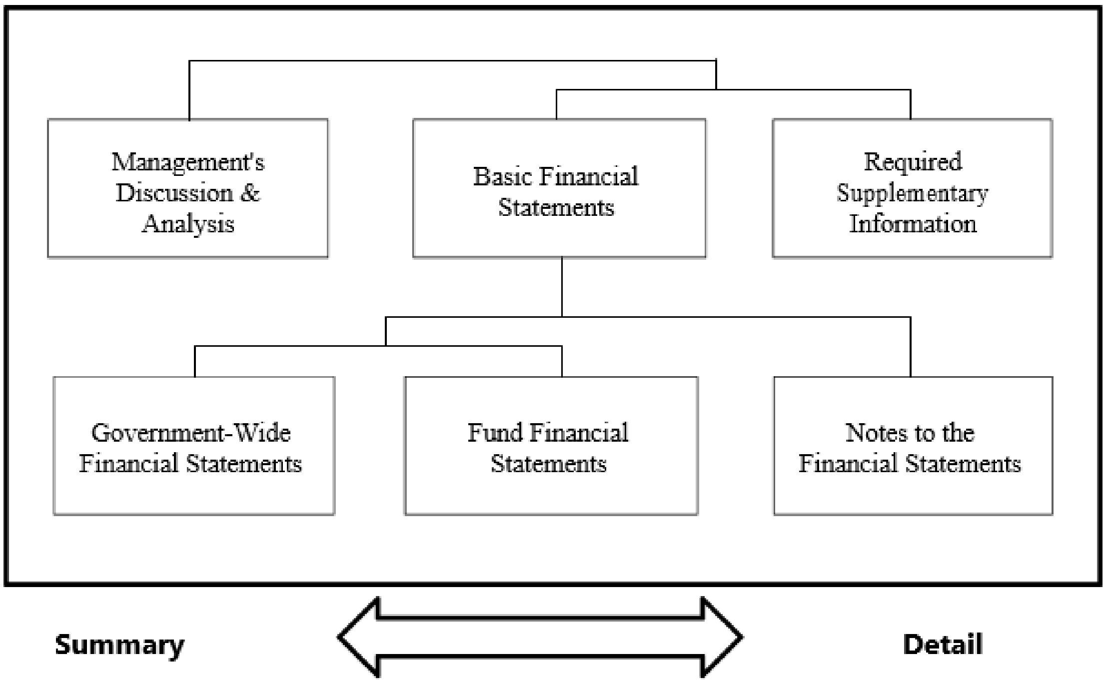
Government Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 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, 2018 was $174.7 million.

Overall governmental activities revenues were $196.5 million which were exceeded by expenses of $202.0 million. Business-type activities revenues were $3.4 million which exceeded expenses of $3.3 million.

General Fund expenditures and other financing uses exceeded revenues and other financing sources by $1.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Statements



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.

OVERVIEW OF FINANCIAL STATEMENTS, continued

Components of the Financials Statements

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 $8.9 million at June 30, 2018, as reflected in the table below. Of this amount, there is a deficit of $185.4 million in unrestricted due primarily to the recognition of the net pension liability of $174.7 million and net OPEB liability of $27.7 million. Net investment in capital assets (e.g., land, building and equipment) was $113.5 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 $80.8 million of net position.

	Governmental Activities			Business-Type Activities		
	2018	**2017**	**Net Change**	**2018**	**2017**	**Net Change**
ASSETS AND DEFERRED OUTFLOWS						
Current and other assets	$ 132,700,241	$ 74,477,123	$ 58,223,118	$ 2,163,627	$ 1,673,213	$ 490,414
Capital assets	152,322,266	159,496,034	(7,173,768)	-	-	-
Deferred outflows	49,195,418	28,811,907	20,383,511	-	-	-
Total Assets and Deferred Outflows	334,217,925	262,785,064	71,432,861	2,163,627	1,673,213	490,414
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities	27,148,073	22,248,406	4,899,667	441,636	71,071	(370,565)
Long-term liabilities	282,782,026	207,056,307	75,725,719	-	-	-
Deferred inflows	15,402,633	5,759,599	9,643,034	-	-	-
Total Liabilities and Deferred Inflows	325,332,732	235,064,312	90,268,420	441,636	71,071	(370,565)
NET POSITION						
Net investment in capital assets	113,461,586	119,196,578	(5,734,992)	-	-	-
Restricted	80,815,476	17,956,404	62,859,072	-	-	-
Unrestricted	(185,391,869)	(109,432,230)	(75,959,639)	1,721,991	1,602,142	119,849
Total Net Position	$ 8,885,193	$ 27,720,752	$ (18,835,559)	$ 1,721,991	$ 1,602,142	$ 119,849

Changes in Net Position

As shown in the table below, the District's governmental activities and business-type revenues were $196.4 million and $3.4 million, respectively. The majority of the revenue comes from property taxes and unrestricted federal and state aid (73%). Operating grants and contributions for specific programs accounted for another 24% of total revenues.

The total cost of all governmental activities and business-type programs and services was $201.9 million and $3.3 million respectively. The District's expenses are predominately related to educating and caring for students (68%). Pupil Services (including transportation and food) account for 7% of expenses. General administrative activities accounted for just 5% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 6% of all costs. Other outgo accounted for 9% of all costs. The remaining expenses were for interest and other charges, depreciation, and enterprise services and account for the remaining 5% of all costs. The governmental activities net position decreased by $5.5 million.

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
REVENUES						
Program revenues						
Charges for services	$ 4,239,905	$ 4,048,229	$ 191,676	$ 3,384,802	$ 2,995,668	$ 389,134
Operating grants and contributions	46,203,860	40,120,608	6,083,252	-	-	-
Capital grants and contributions	(987,245)	(1,122,864)	135,619	-	-	-
General revenues						
Property taxes	82,996,657	69,948,860	13,047,797	-	-	-
Unrestricted federal and state aid	60,175,156	62,624,276	(2,449,120)	-	-	-
Other	3,743,101	5,921,774	(2,178,673)	1,108	7,028	(5,920)
Total Revenues	196,371,434	181,540,883	14,830,551	3,385,910	3,002,696	383,214
EXPENSES						
Instruction	116,261,634	108,892,148	7,369,486	-	-	-
Instruction-related services	20,046,766	18,510,956	1,535,810	-	-	-
Pupil services	13,590,139	12,016,862	1,573,277	-	-	-
General administration	9,690,086	8,046,033	1,644,053	-	-	-
Plant services	13,030,256	12,382,881	647,375	-	-	-
Interest and other charges	3,568,621	1,478,056	2,090,565	-	-	-
Other outgo	18,021,100	16,508,070	1,513,030	-	-	-
Depreciation	7,796,970	7,848,464	(51,494)	-	-	-
Enterprise services	-	92,384	(92,384)	3,154,161	2,449,412	704,749
Transfers to other agencies	(111,900)	(111,900)	-	111,900	111,900	-
Total Expenses	201,893,672	185,663,954	16,229,718	3,266,061	2,561,312	704,749
Change in net position	(5,522,238)	(4,123,071)	(1,399,167)	119,849	441,384	(321,535)
Net Position - Beginning	27,720,752	31,843,823	(4,123,071)	1,602,142	1,160,758	441,384
Prior Period Adjustment (See Note 12)	(13,313,321)	-	(13,313,321)	-	-	-
Net Position - Ending	$ 8,885,193	$ 27,720,752	$ (18,835,559)	$ 1,721,991	$ 1,602,142	$ 119,849

Changes in Net Position, continued

The net expense of all our governmental activities by function this year was $152.6 million. These costs were offset by general revenues, including property taxes of $83.0 million, unrestricted federal and state aid of $60.2 million, and other general revenues of $3.7 million. The table below displays the net expense of all governmental activities by function before the general revenue offsets.

	Governmental Activities		
	2018	**2017**	**Net Change**
NET EXPENSE OF SERVICES			
Instruction	$ 91,789,824	$ 89,780,476	$ 2,009,348
Instruction-related services	16,937,815	15,892,231	1,045,584
Pupil services	6,265,112	5,544,367	720,745
Enterprise services	-	92,384	(92,384)
General administration	8,401,853	6,923,273	1,478,580
Plant services	12,986,957	12,225,775	761,182
Interest and other charges	3,568,621	1,478,056	2,090,565
Other outgo	4,801,900	2,944,855	1,857,045
Depreciation	7,796,970	7,848,464	(51,494)
Totals	$ 152,549,052	$ 142,729,881	$ 9,819,171

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 $123.7 million, which increased from last year's ending fund balance of $58.6 million. The District's General Fund had $1.6 million more expenses than revenues for the year ended June 30, 2018, leading to an ending fund balance of $30.6 million. The District's Special Education Pass-Through Fund had $0 ending fund balance for the year ended June 30, 2018 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 $391 thousand more revenues than expenditures for the year ended June 30, 2018, leading to an ending fund balance of $12.2 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, 2018, the District had invested $152.3 million in capital assets, net of accumulated depreciation. The net change as a result of fiscal year 2018 activity is primarily due to current year depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 40,624,273	$ 40,624,273	$ -
Construction in Progress	2,512,574	-	2,512,574
Land improvements	29,659,616	29,659,616	-
Buildings & improvements	261,360,479	261,360,479	-
Furniture & equipment	5,736,538	5,317,344	419,194
Accumulated depreciation	(187,571,214)	(177,465,678)	(10,105,536)
Total Capital Assets	$ 152,322,266	$ 159,496,034	$ (7,173,768)

Long-Term Debt

At June 30, 2018, the District had $282.8 million in long-term debt, an increase of $75.7 million from last year – as shown below. General Obligation Bonds increased $69.0 from the first issuance of Measure I1. Net Pension Liability increased by $17.9 million primarily due to low investment returns during the measurement period of the net pension liability (June 30, 2017) as compared to the prior measurement period (June 30, 2016). Net OPEB Liability increased by $12.7 million due to the implementation of GASB Statement No. 75, requiring Districts to report the total OPEB liability less amounts held in an irrevocable trust. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
General obligation bonds	$ 93,645,035	$ 24,569,456	$ 69,075,579
Certificates of participation	1,475,000	15,730,000	(14,255,000)
Compensated absences	585,582	521,897	63,685
Net OPEB liability	27,712,765	15,052,318	12,660,447
Net pension liability	174,694,157	156,768,148	17,926,009
Less: current portion of long-term debt	(15,330,513)	(5,585,512)	(9,745,001)
Total Long-term Liabilities	$ 282,782,026	$ 207,056,307	$ 75,725,719

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 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 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, 2018. The amount of the liability is approximately $174.7 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, inter-district 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 2018-19 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.

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 125,080,820	$ 2,457,196	$ 127,538,016
Accounts receivable	7,086,275	50,623	7,136,898
Prepaid expenses	67,522	285	67,807
Inventory	121,147	-	121,147
Internal balances	344,477	(344,477)	-
Capital assets, not depreciated	40,624,273	-	40,624,273
Capital assets, net of accumulated depreciation	111,697,993	-	111,697,993
Total Assets	285,022,507	2,163,627	287,186,134
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	1,100,773	-	1,100,773
Deferred outflows related to pensions	48,094,645	-	48,094,645
Total Deferred Outflows of Resources	49,195,418	-	49,195,418
LIABILITIES			
Accrued liabilities	11,815,504	191,636	12,007,140
Unearned revenue	2,056	250,000	252,056
Net pension liability	174,694,157	-	174,694,157
Net OPEB liability	27,712,765	-	27,712,765
Long-term liabilities, current portion	15,330,513	-	15,330,513
Long-term liabilities, non-current portion	80,375,104	-	80,375,104
Total Liabilities	309,930,099	441,636	310,371,735
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	14,373,888	-	14,373,888
Deferred inflows related to OPEB	1,028,745	-	1,028,745
Total Deferred Inflows of Resources	15,402,633	-	15,402,633
NET POSITION			
Net investment in capital assets	113,461,586	-	113,461,586
Restricted:			
Capital projects	57,888,237	-	57,888,237
Debt service	16,940,778	-	16,940,778
Educational programs	5,055,265	-	5,055,265
All others	931,196	-	931,196
Unrestricted	(185,391,869)	1,721,991	(183,669,878)
Total Net Position	$ 8,885,193	$ 1,721,991	$ 10,607,184

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Total
GOVERNMENTAL ACTIVITIES							
Instruction	$ 116,261,634	$ 219,055	$ 25,240,000	$ (987,245)	$ (91,789,824)	$ -	$ (91,789,824)
Instruction-related services							
Instructional supervision and administration	6,217,862	19,284	1,865,507	-	(4,333,071)	-	(4,333,071)
Instructional library, media, and technology	2,856,084	2,252	116,243	-	(2,737,589)	-	(2,737,589)
School site administration	10,972,820	1,256	1,104,409	-	(9,867,155)	-	(9,867,155)
Pupil services							
Home-to-school transportation	1,023,027	7,507	514,836	-	(500,684)	-	(500,684)
Food services	4,146,070	3,598,911	666,958	-	119,799	-	119,799
All other pupil services	8,421,042	11,159	2,525,656	-	(5,884,227)	-	(5,884,227)
General administration							
Centralized data processing	1,255,417	-	-	-	(1,255,417)	-	(1,255,417)
All other general administration	8,434,669	199,614	1,088,619	-	(7,146,436)	-	(7,146,436)
Plant services	13,030,256	5,826	37,473	-	(12,986,957)	-	(12,986,957)
Interest on long-term debt	3,568,621	-	-	-	(3,568,621)		(3,568,621)
Other outgo	18,021,100	175,041	13,044,159	-	(4,801,900)	-	(4,801,900)
Depreciation (unallocated)	7,796,970	-	-	-	(7,796,970)	-	(7,796,970)
Total Governmental Activities	$ 202,005,572	$ 4,239,905	$ 46,203,860	$ (987,245)	(152,549,052)	-	(152,549,052)
BUSINESS-TYPE ACTIVITIES							
Child Development Center	3,154,161	3,384,802	-	-	-	230,641	230,641
Total Business-Type Activities	3,154,161	3,384,802	-	-	-	230,641	230,641
Total School District	$ 205,159,733	$ 7,624,707	$ 46,203,860	$ (987,245)	(152,549,052)	230,641	(152,318,411)
General revenues							
Taxes and subventions							
Property taxes, levied for general purposes					68,050,684	-	68,050,684
Property taxes, levied for debt service					14,945,973	-	14,945,973
Property taxes, levied for other specific purposes					-	-	-
Federal and state aid not restricted for specific purposes					60,175,156	-	60,175,156
Interest and investment earnings					547,309	1,108	548,417
Miscellaneous					3,195,792	-	3,195,792
Internal Transfers					111,900	(111,900)	-
Subtotal, General Revenue					147,026,814	(110,792)	146,916,022
Change in Net Position					(5,522,238)	119,849	(5,402,389)
Net Position - Beginning					27,720,752	1,602,142	29,322,894
Prior Period Adjustment (See Note 12)					(13,313,321)	-	(13,313,321)
Net Position - Ending					$ 8,885,193	$ 1,721,991	$ 10,607,184

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 31,219,954	$ 54,784,355	$ 16,888,066	$ 22,188,445	$ 125,080,820
Accounts receivable	6,771,504	144,029	52,712	118,030	7,086,275
Due from other funds	591,538	-	-	20,339	611,877
Stores inventory	101,441	-	-	19,706	121,147
Prepaid expenditures	67,522	-	-	-	67,522
Total Assets	38,751,959	54,928,384	16,940,778	22,346,520	132,967,641
LIABILITIES					
Accrued liabilities	8,089,911	688,968	-	232,322	9,011,201
Due to other funds	20,604	4,654	-	242,142	267,400
Deferred revenue	2,056	-	-	-	2,056
Total Liabilities	8,112,571	693,622	-	474,464	9,280,657
FUND BALANCES					
Nonspendable	-	-	-	22,207	22,207
Spendable	243,442	-	-	-	243,442
Restricted					
Educational programs	5,055,265	-	-	-	5,055,265
Capital projects	-	54,234,762	-	3,653,475	57,888,237
Debt service	-	-	16,940,778	-	16,940,778
All others	-	-	-	931,196	931,196
Assigned	10,406,216	-	-	17,265,178	27,671,394
Unassigned	14,934,465	-	-	-	14,934,465
Total Fund Balances	30,639,388	54,234,762	16,940,778	21,872,056	123,686,984
Total Liabilities and Fund Balances	$ 38,751,959	$ 54,928,384	$ 16,940,778	$ 22,346,520	$ 132,967,641

Total Fund Balance - Governmental Funds		$ 123,686,984
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 339,893,480	
Accumulated depreciation	(187,571,214)	152,322,266
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:		(2,804,303)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist		
Net pension liability	$ 174,694,157	
Net OPEB liability	27,712,765	
Long-term liabilities, due within one year	15,330,513	
Long-term liabilities, due in more than one year	80,375,104	(298,112,539)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, defered outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions:	$ 48,094,645	
Deferred inflows of resources relating to pensions:	(14,373,888)	33,720,757
Deferred outflows and inflows of resources related to other postemployment benefits (OPEB):		
In governmental funds, defered outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferre outflows of resources relating to OPEB	1,100,773	
Deferred inflows of resources relating to OPEB	(1,028,745)	72,028
Total Net Position - Governmental Activities		$ 8,885,193

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 120,552,980	$ -	$ -	$ 700,000	$ 121,252,980
Federal sources	3,795,141	-	-	4,252,711	8,047,852
Other state sources	22,925,221	-	72,055	11,204,071	34,201,347
Other local sources	7,816,435	442,877	14,994,226	5,290,649	28,544,187
Total Revenues	155,089,777	442,877	15,066,281	21,447,431	192,046,366
EXPENDITURES					
Current					
Instruction	108,075,483	-	-	231,388	108,306,871
Instruction-related services					
Instructional supervision and administratior	5,804,385	-	-	-	5,804,385
Instructional library, media, and technology	2,551,844	-	-	10,434	2,562,278
School site administration	9,645,024	-	-	367,207	10,012,231
Pupil services					
Home-to-school transportation	946,619	-	-	-	946,619
Food services	-	-	-	3,908,569	3,908,569
All other pupil services	7,741,342	-	-	-	7,741,342
General administration					
Centralized data processing	1,026,747	-	-	-	1,026,747
All other general administration	6,670,608	-	-	204,733	6,875,341
Plant services	11,590,154	-	-	614,367	12,204,521
Facilities acquisition and maintenance	1,265,958	2,304,067	-	-	3,570,025
Transfers to other agencies	1,177,176	-	-	15,205,645	16,382,821
Debt service					
Principal	37,868	-	6,353,133	896,132	7,287,133
Interest and other	25,034	302,422	1,445,807	345,697	2,118,960
Total Expenditures	156,558,242	2,606,489	7,798,940	21,784,172	188,747,843
Excess (Deficiency) of Revenues					
Over Expenditures	(1,468,465)	(2,163,612)	7,267,341	(336,741)	3,298,523
Other Financing Sources (Uses)					
Transfers in	147,188	-	-	276,849	424,037
Other sources	-	70,645,000	5,290,266	-	75,935,266
Contributions	-	-	-	-	-
Transfers out	(276,849)	-	-	(35,288)	(312,137)
Other Uses	-	(14,252,890)	-	-	(14,252,890)
Net Financing Sources (Uses)	(129,661)	56,392,110	5,290,266	241,561	61,794,276
NET CHANGE IN FUND BALANCE	(1,598,126)	54,228,498	12,557,607	(95,180)	65,092,799
Fund Balance - Beginning	32,237,513	6,264	4,383,171	21,967,236	58,594,185
Fund Balance - Ending	$ 30,639,388	$ 54,234,762	$ 16,940,778	$ 21,872,056	$ 123,686,984

Net Change in Fund Balances - Governmental Funds			$ 65,092,799
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	$	2,931,768	
Depreciation expense:		(7,796,970)	(4,865,202)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term			20,540,001
Debt proceeds: In governmental funds, proceeds of long-term debt are reported as Other Financing sources. In the government-wide statements, proceeds of long-term debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from long-term debt were:			(75,935,266)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(2,024,347)
Accreted interest on long-term debt: In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.			(3,200)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:			(63,685)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer			(7,257,560)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:			(1,583,664)
Amortization of debt issuance premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:			577,886
Change in Net Position of Governmental Activities			$ (5,522,238)

ASSETS		
Cash and cash equivalents	$	2,457,196
Accounts receivable		50,623
Prepaid expenses		285
Due from other funds		265
Total Assets		2,508,369
LIABILITIES		
Accrued liabilities		191,636
Unearned revenues		250,000
Due to other funds		344,742
Total Liabilities		786,378
NET POSITION		
Unrestricted		1,721,991
Total Net Position	$	1,721,991

OPERATING REVENUES		
Charges for services	$	3,372,451
Total Operating Revenues		3,372,451
OPERATING EXPENSES		
Employee salaries		1,984,931
Employee benefits		645,527
Books and supplies		187,976
Services and other operating expenses		335,727
Total Operating Expenses		3,154,161
Operating Income		218,290
NONOPERATING REVENUES (EXPENSES)		
Interest income		13,459
Interfund transfer out		(111,900)
Total Nonoperating Revenues (Expenses)		(98,441)
Change in Net Position		119,849
Net Position - Beginning		1,602,142
Net Position - Ending	$	1,721,991

CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from user charges	$	3,577,440
Cash paid for operating expenses		(3,033,881)
Total Operating Revenues		543,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfer to other funds		206,945
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		13,459
Net Increase (Decrease) in Cash and Cash Equivalents		763,963
Cash and Cash Equivalents - Beginning of Year		1,693,233
Cash and Cash Equivalents - End of Year	$	2,457,196
RECONCILIATION OF OPERATING INCOME TO CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	218,290
Changes in operating assets and liabilities:		
Accounts receivable		(45,011)
Prepaid expenses		(285)
Accrued liabilities		120,565
Unearned revenues		250,000
Net cash and cash equivalents provided by operating activities	$	543,559

	Student Body Fund
ASSETS	
Cash and cash equivalents	$ 800,174
LIABILITIES	
Due to student groups and other agencies	$ 800,174

NOTE 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 sub fund 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Non-Major Governmental Funds

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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	20-50 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 pensions 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2018, the District had a Reserve for Economic Uncertainty of $4,741,143 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018, consist of the following:

	Governmental Activities	Business-Type Activities	Fiduciary Funds
Cash in county treasury	$ 119,251,667	$ 1,794,780	$ -
Cash on hand and in banks	182,877	646,328	800,174
Cash in revolving fund	76,980	4,500	-
Cash awaiting deposit	949,689	11,588	-
Deposit in LAIF	4,619,607	-	-
Total	$ 125,080,820	$ 2,457,196	$ 800,174

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

NOTE 2 – CASH AND CASH EQUIVALENTS, continued

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

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, 2018, the weighted average maturity of the investments contained in the County Treasury investment pool is approximately 357 days.

NOTE 2 – CASH AND CASH EQUIVALENTS, continued

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 $582,422.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Total Business-Type Activities
Federal Government	$ 1,475,033	$ -	$ -	$ 62,051	$ 1,537,084	$ -
State Government	3,704,110	-	-	11,040	3,715,150	-
Local Government	1,592,361	144,029	52,712	44,939	1,834,041	50,623
Total	$ 6,771,504	$ 144,029	$ 52,712	$ 118,030	$ 7,086,275	$ 50,623

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Adjustment	Adjusted Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets not being depreciated						
Land	$ 40,624,273	$ -	$ 40,624,273	$ -	$ -	$ 40,624,273
Construction in progress	-	-	-	2,512,574	-	2,512,574
Total Capital Assets not Being Depreciated	40,624,273	-	40,624,273	2,512,574	-	43,136,847
Capital assets being depreciated						
Land improvements	29,659,616	-	29,659,616	-	-	29,659,616
Buildings and improvements	261,360,479	-	261,360,479	-	-	261,360,479
Furniture and equipment	5,317,344	-	5,317,344	419,194	-	5,736,538
Total Capital Assets Being Depreciated	296,337,439	-	296,337,439	419,194	-	296,756,633
Less Accumulated Depreciation						
Land improvements	28,339,237	103,753	28,442,990	371,097	-	28,814,087
Buildings and improvements	145,417,356	1,465,682	146,883,038	7,229,271	-	154,112,309
Furniture and equipment	3,709,085	739,131	4,448,216	196,602	-	4,644,818
Total Accumulated Depreciation	177,465,678	2,308,566	179,774,244	7,796,970	-	187,571,214
Capital Assets, net	$ 159,496,034	$ (2,308,566)	$ 157,187,468	$ (4,865,202)	$ -	$ 152,322,266

NOTE 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, 2018 were as follows:

	Receivable Fund			
Payable Fund	General Fund	Other Governmental	Enterprise Fund	Total
General Fund	$ -	$ 20,339	$ 265	$ 20,604
Building Fund	4,654	-	-	4,654
Other Governmental Funds	242,142	-	-	242,142
Enterprise Fund	344,742	-	-	344,742
Total	$ 591,538	$ 20,339	$ 265	$ 612,142

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

NOTE 5 – INTERFUND TRANSACTIONS, continued

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, 2018.

Interfund transfers for the year ended June 30, 2018, were as follows:

	Transfer In		
Transfer Out	General Fund	Other Governmental Funds	Total
General Fund	$ -	$ 276,849	$ 276,849
Other Governmental Funds	35,288	-	35,288
Enterprise Fund	111,900	-	111,900
Total	$ 147,188	$ 276,849	$ 424,037

NOTE 6 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2018 consisted of the following:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Governmental Activities					
General obligation bonds	$ 19,919,976	$ 70,645,000	$ 5,278,578	$ 85,286,398	$ 11,791,398
Unamortized premium	2,055,305	5,290,266	577,886	6,767,685	642,581
Accreted interest	2,594,175	3,200	1,006,423	1,590,952	1,590,952
Certificates of participation	15,730,000	-	14,255,000	1,475,000	720,000
Compensated absences	521,897	63,685	-	585,582	-
Total	$ 40,821,353	$ 76,002,151	$ 21,117,887	$ 95,705,617	$ 15,330,513

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.

NOTE 6 – LONG-TERM LIABILITIES, continued

General Obligation Bonds

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

Series	Issue Date	Maturity Date	Yield Rate	Original Issue	Bonds Outstanding June 30, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
2003 Refunding Series B	10/9/2003	8/1/2021	1.00 - 4.80%	$ 19,474,976	$ 964,976	-	$ 388,578	$ 576,398
2013 Refunding	7/10/2013	8/1/2021	0.29 - 2.70%	$ 14,565,000	10,885,000	-	715,000	10,170,000
2014 Refunding	6/26/2014	8/1/2023	0.14 - 2.37%	$ 11,100,000	8,070,000	-	1,725,000	6,345,000
2017	10/25/2017	8/1/2042	0.90 - 3.28%	$ 70,645,000	-	70,645,000	2,450,000	68,195,000
				Total	$ 19,919,976	$ 70,645,000	$ 5,278,578	$ 85,286,398

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 11,791,398	$ 4,904,777	$ 16,696,175
2020	14,075,000	2,777,625	16,852,625
2021	6,155,000	2,330,550	8,485,550
2022	6,520,000	2,046,413	8,566,413
2023	2,745,000	1,848,225	4,593,225
2024-2028	6,820,000	8,067,400	14,887,400
2029-2033	7,500,000	6,518,575	14,018,575
2034-2038	11,700,000	4,728,024	16,428,024
2039-2043	17,980,000	1,916,600	19,896,600
Total	$ 85,286,398	$ 35,138,189	$ 120,424,587

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
2019	$ 720,000	$ 41,450	$ 761,450
2020	755,000	15,100	770,100
Total	$ 1,475,000	$ 56,550	$ 1,531,550

NOTE 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.

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	236
Active Employees	1,275
	1,511

As of June 30, 2018, 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, 2018 contributions consist of $1,037,275 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, 2018, the District has committed approximately $7.2 million for postemployment benefits.

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Actuarial Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Discount rate	3.4%
Health care cost trend rate	6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO
Payroll increase	3.00%
Mortality	RPH 2014 mortaility table with generational improvements using scale MP2017

This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

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

For the year ended June 30, 2018, the District recognized OPEB expense of $2,684,437. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 1,028,745
District contributions subsequent to the measurement date	1,100,773	-
	$ 1,100,773	$ 1,028,745

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

The deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflows of resources resulting from a change in assumption will be amortized to OPEB expense as follows:

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2019	$	(171,457)
2020		(171,457)
2021		(171,457)
2022		(171,457)
2023		(171,457)
Thereafter		(171,460)
	$	(1,028,745)

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2017	$ 27,094,348	$ -	$ 27,094,348
Changes for the year:			
Service cost	2,040,337	-	2,040,337
Interest	815,557	-	815,557
Employer contributions	-	1,037,275	(1,037,275)
Changes of assumptions	(1,200,202)	-	(1,200,202)
Benefit payments	(1,037,275)	(1,037,275)	-
Net change	618,417	-	618,417
Balance June 30, 2018	$ 27,712,765	$ -	$ 27,712,765

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Sensitivity of the Net Pension Liability to Assumptions

The following presents the net OPEB liability calculated using the discount rate of 3.40 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher:

	Discount Rate 1% Lower (2.40%)	Current Discount Rate (3.40%)	Discount Rate 1% Higher (4.40%)
Net OPEB liability	$ 29,932,766	$ 27,712,765	$ 25,657,152

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 6.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower and 1 percent higher:

	Trand Rate 1% Lower (5.00% HMO/5.5% PPO decreasing to 4.00% HMO/4.00% PPO)	Current Trend Rate (6.00% HMO/6.5% PPO decreasing to 5.00% HMO/5.00% PPO)	Trand Rate 1% Higher (7.00% HMO/7.5% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB liability	$ 24,735,946	$ 27,712,765	$ 31,194,627

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers' Retirement System (CalSTRS), and Classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ending June 30, 2018, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 138,907,437	$ 37,626,784	$ 12,189,618	$ 15,031,686
CalPERS	35,786,720	10,467,861	2,184,270	6,422,845
Total	$ 174,694,157	$ 48,094,645	$ 14,373,888	$ 21,454,531

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS) Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contribution

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were $11,337,592.

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

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

Total net pension liability, including State share:

District's proportionate share of the net pension liability	$ 138,907,437
State's proportionate share of the net pension liability associated with the District	82,177,136
Total	$ 221,084,573

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1502 percent and 0.1554 percent, respectively, resulting in a net decrease in the proportionate share of 0.0052 percent.

For the year ended June 30, 2018, the District recognized pension expense of $15,031,686. In addition, the District recognized pension expense and revenue of $3,569,196 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ -	$ 5,666,921
Differences between expected and actual experience	513,693	2,548,458
Changes in assumptions	25,733,581	-
Net changes in proportionate share of net pension liability	41,918	3,974,239
District contributions subsequent to the measurement date	11,337,592	-
Total	$ 37,626,784	$ 12,189,618

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,004,007
2020	2,004,007
2021	2,004,004
2022	(151,848)
2023	3,864,856
Thereafter	4,374,544
	$ 14,099,570

Actuarial Methods and Assumptions

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

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

CalSTRS uses 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

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

Discount Rate

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 203,960,217	$ 138,907,437	$ 86,112,698

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS) Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contribution

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were $2.859,379.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,786,720. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1499 percent and 0.1590 percent, respectively, resulting in a net increase in the proportionate share of 0.0091 percent.

For the year ended June 30, 2018, the District recognized pension expense of $6,422,845. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 937,700	$ -
Differences between expected and actual experience	1,477,746	-
Changes in assumptions	5,182,536	618,130
Net changes in proportionate share of net pension liability	10,500	1,566,140
District contributions subsequent to the measurement date	2,859,379	-
Total	$ 10,467,861	$ 2,184,270

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,260,409
2020	2,246,367
2021	1,920,862
2022	(1,003,425)
	$ 5,424,213

Actuarial Methods and Assumptions

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

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

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

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long- term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

*An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	$ 52,653,732	$ 35,786,720	$ 21,794,120

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to $5,924,487. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 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.

NOTE 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.

NOTE 10 – PARTICIPATION IN JOINT POWERS AUTHORITIES, continued

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

NOTE 11 – CALPERS, SPECIAL RESERVE FOR OTHER THAN CAPITAL OUTLAY

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.

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.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position decreased by $13,313,321. This was primarily due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75. Total OPEB restatement was $11,004,755. Additionally, there was a restatement of $2,308,566 related to accumulated depreciation of capital assets not recorded in previous year

NOTE 13- SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2018 through December 15, 2018, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 119,953,165	$ 120,393,724	$ 120,552,980	$ 159,256
Federal sources	3,516,886	3,961,240	3,795,141	(166,099)
Other state sources	19,666,057	22,203,324	22,925,221	721,897
Other local sources	2,290,301	5,115,790	7,742,426	2,626,636
Total Revenues	145,426,409	151,674,078	155,015,768	3,341,690
EXPENDITURES				
Certificated salaries	80,436,670	82,554,207	82,423,327	(130,880)
Classified salaries	18,829,117	19,112,081	19,269,995	157,914
Employee benefits	28,627,558	28,661,402	29,297,292	635,890
Books and supplies	4,260,081	11,614,965	6,862,114	(4,752,851)
Services and other operating expenditures	14,136,798	16,226,093	16,750,860	524,767
Capital outlay	100,681	471,719	919,310	447,591
Other outgo				
Excluding transfers of indirect costs	1,169,658	1,198,354	1,240,077	41,723
Transfers of indirect costs	(244,809)	(240,664)	(204,733)	35,931
Total Expenditures	147,315,754	159,598,157	156,558,242	(3,039,915)
Excess (Deficiency) of Revenues				
Over Expenditures	(1,889,345)	(7,924,079)	(1,542,474)	301,775
Other Financing Sources (Uses):				
Transfers in	717,439	717,439	147,188	(570,251)
Transfers out	(1,203,000)	(1,460,140)	(276,849)	1,183,291
Net Financing Sources (Uses)	(485,561)	(742,701)	(129,661)	613,040
NET CHANGE IN FUND BALANCE	(2,374,906)	(8,666,780)	(1,672,135)	6,994,645
Fund Balance - Beginning	19,506,221	15,447,282	25,891,917	10,444,635
Fund Balance - Ending	$ 17,131,315	$ 6,780,502	$ 24,219,782	$ 17,439,280

		2018
Total OPEB liability		
Service cost	$	2,040,337
Interest on Total OPEB Liability		815,557
Changes of assumptions		(1,200,202)
Benefit payments		(1,037,275)
Net change in total OPEB liability		618,417
Total OPEB liability, beginning of year		27,094,348
Total OPEB liability, end of year (a)	$	27,712,765
Plan fiduciary net position		
Employer contributions	$	1,037,275
Benefit payments		(1,037,275)
Change in plan fiduciary net position		-
Fiduciary trust net position, beginning of year		-
Fiduciary trust net position, end of year (b)	$	-
Net OPEB liability(asset), ending (a) - (b)	$	27,712,765
Covered payroll	$	94,010,000
Plan fiduciary net position as a percentage of the total OPEB liability(asset)		0.00%
Net OPEB liability(asset) as a percentage of covered payroll		29.48%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

		2018
Actuarially determined contribution	$	1,037,275
Contributions in relations to the actuarially determined contribution		1,037,275
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	94,010,000
Contribution as a percentage of covered-employee payroll		1.10%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

CalSTRS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.150%	0.155%	0.159%	0.157%
District's proportionate share of the net pension liability	$ 138,907,437	$ 125,365,550	$ 107,045,160	$ 91,746,090
State's proportionate share of the net penesion liability associated with the District	82,177,136	71,546,605	56,774,903	55,260,292
Total	$ 221,084,573	$ 196,912,155	$ 163,820,063	$ 147,006,382
District's covered - employee payroll	$ 78,569,591	$ 78,191,439	$ 72,833,668	$ 70,404,045
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	176.80%	160.33%	146.97%	130.31%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.04%	74.00%	77.00%

CalPERS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.150%	0.159%	0.160%	0.162%
District's proportionate share of the net pension liability	$ 35,786,720	$ 31,402,598	$ 23,643,118	$ 18,368,240
District's covered - employee payroll	$ 20,585,882	$ 19,136,167	$ 17,751,101	$ 16,939,425
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	173.84%	164.10%	133.19%	108.43%
Plan fiduciary net position as a percentage of the total pension liability	71.90%	73.90%	79.40%	83.44%

	Reporting Fiscal Year			
CalSTRS	2018	2017	2016	2015
Statutorily required contribution	$ 11,337,592	$ 10,009,054	$ 8,384,573	$ 6,479,899
District's contributions in relation to the statutorily required contribution	(11,337,592)	(10,009,054)	(8,384,573)	(6,479,899)
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 78,569,591	$ 79,498,369	$ 78,191,439	$ 72,833,668
District's contributions as a percentage of covered-employee payroll	14.43%	12.59%	10.72%	8.90%

	Reporting Fiscal Year			
CalPERS	2018	2017	2016	2015
Statutorily required contribution	$ 2,859,379	$ 2,543,175	$ 2,266,942	$ 2,089,289
District's contributions in relation to the statutorily required contribution	(2,859,379)	(2,543,175)	(2,266,942)	(2,089,289)
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 20,585,882	$ 19,076,180	19,136,167	17,752,101
District's contributions as a percentage of covered-employee payroll	13.89%	13.33%	11.85%	11.77%

NOTE 1 – PURPOSE OF SCHEDULES

General Fund - Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in the Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of Contributions – OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of the Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of Contributions - Pensions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Classified salaries	$ 19,112,081	$ 19,269,995	$ 157,914
Employee benefits	$ 28,661,402	$ 29,297,292	$ 635,890
Services and other operating expenditures	$ 16,226,093	$ 16,750,860	$ 524,767
Capital outlay	$ 471,719	$ 919,310	$ 447,591
Other outgo			
Excluding transfers of indirect costs	$ 1,198,354	$ 1,240,077	$ 41,723

SUPPLEMENTARY INFORMATION

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.

GOVERNING BOARD

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

District Administrators

David Haglund, Ed. D.
Superintendent

Micaela Ochoa, Ed. D.
Deputy Superintendent, Business Services

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

Julio Hernandez
Assistant Superintendent, Human Resources

Ed Diolazo
Assistant Superintendent, Student Support Services

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	$ 646,443
Subtotal Child Nutrition Cluster			646,443
Total U. S. Department of Agriculture			646,443
U.S. Department of Education:			
School Climate Transformation Program	84.184G	*	491,561
Passed through California Department of Education:			
Special Education Cluster (IDEA):			
IDEA Basic Grant Entitlement	84.027	13379	4,918,046
IDEA Special Education Preschool Grant	84.173	13430	81,724
IDEA Preschool Local Entitlement	84.027A	13682	465,185
IDEA Preschool Capacity Building	84.173A	13839	161,979
IDEA Preschool Staff Development	84.173A	13431	311
IDEA Alternative Dispute Resolution	84.173A	13007	15,302
IDEA Mental Health	84.027A	14468	199,140
Subtotal Special Education Cluster (IDEA)			5,841,687
Adult Education Cluster			
Adult Secondary Education	84.002A	13978	2,927
Adult Basic Education & ESL	84.002A	14508	24,937
English Literacy & Civics Education	84.002A	14109	18,480
Subtotal Adult Education Cluster			46,344
Title III:			
Title III, LEP Program	84.365	14346	225,864
Title III, Immigrant Education Program	84.365	15146	108,440
Subtotal Title III			334,304
IDEA Early Intervention Grants, Part C	84.181	23761	131,048
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	318,543
Title II: Teacher Quality	84.367A	14341	192,203
Advanced Placement Program	84.330	*	-
VOC Programs: Perkins Act	84.048	50437	45,719
Total U. S. Department of Education			7,401,409
Total Federal Expenditures			$ 8,047,852

***** - PCS Number not available or not applicable

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten trhought Third	3,880.95	3,897.22
Fourth throught Sixth	3,277.15	3,284.82
Seventh and Eighth	2,461.59	2,461.68
Elementary Total	9,619.69	9,643.72
High School		
Ninth through Twelfth	4,782.53	4,771.47
ADA Totals	14,402.22	14,415.19

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	N/A	Complied
Grade 1	50,400	50,440	180	N/A	Complied
Grade 2	50,400	50,440	180	N/A	Complied
Grade 3	50,400	56,560	180	N/A	Complied
Grade 4	54,000	55,960	180	N/A	Complied
Grade 5	54,000	55,960	180	N/A	Complied
Grade 6	54,000	54,677	180	N/A	Complied
Grade 7	54,000	54,677	180	N/A	Complied
Grade 8	54,000	54,677	180	N/A	Complied
Grade 9	64,800	65,539	180	N/A	Complied
Grade 10	64,800	65,539	180	N/A	Complied
Grade 11	64,800	65,539	180	N/A	Complied
Grade 12	64,800	65,539	180	N/A	Complied

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.

		2019 (Budget)		2018		2017		2016
General Fund - Budgetary Basis**								
Revenues and Other Financing Sources	$	162,265,873		155,162,956		151,720,110		152,462,162
Expenditures and Other Financing Uses		162,558,495		156,835,091		148,816,461		145,844,785
Net Change in Fund Balance		(292,622)		(1,672,135)		2,903,649		6,617,377
Ending Fund Balance	$	23,927,160	$	24,219,782	$	25,891,917	$	22,988,268
Available Reserves*	$	14,808,328	$	14,934,465	$	9,434,048	$	12,624,685
Available Reserves as a Percentage of Outgo		9.1%		9.5%		6.3%		8.7%
Long-term Debt	$	298,112,539	$	298,112,539	$	212,641,819	$	189,504,740
Average Daily Attendance at P-2		14,588		14,402		14,362		14,377

* Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund and the Special Reserve for Post-Employment.
**This schedule reflects General Fund budgetary fund basis, which excludes the Special Reserve for Post-Employment Benefits.

The budgetary basis General Fund balance has increased by a net of $484,422 over the past two years. The fiscal year 2018-19 budget projects a decrease of $292,622. 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 incurred an operating surplus in towo 0f the past three years, and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term debt has increased by $108,607,799 over the past two years.

Average daily attendance has increased by 25 over the past two years. ADA is anticipated to decrease by 186 during fiscal year 2018-19.

		General Fund		Special Reserve Fund for Other Than Capital Outlay Projects		Building Fund
June 30, 2018, annual financial and budget report fund balance	$	23,482,690	$	7,156,698	$	68,487,652
Adjustments and reclassifications:						
Increase (decrease) in total fund balance:						
Adjustment related defeasement of refunded debt		-		-		(14,252,890)
Fund balance transfer (GASB 54)		7,156,698		(7,156,698)		-
Net adjustments and reclassifications		7,156,698		(7,156,698)		(14,252,890)
June 30, 2018, audited financial statement fund balance	$	30,639,388	$	-	$	54,234,762

Charter School	Included in Audit Report
The District did not operate or sponsor any chrater schools.	N/A

	Special Education Pass-Through Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ 3,128	$ 149,783	$ 1,010,498	1,691,349	$ 3,542,184	$ 3,642,435	$ 12,149,068	$ 22,188,445
Accounts receivable	50,018	19,428	11,084	4,604	8,873	11,040	12,983	118,030
Due from other funds	-	630	19,709	-	-	-	-	20,339
Stores inventory	-	-	19,706	-	-	-	-	19,706
Total Assets	53,146	169,841	1,060,997	1,695,953	3,551,057	3,653,475	12,162,051	22,346,520
LIABILITIES								
Accrued liabilities	53,147	6,420	47,514	89,642	35,599	-	-	232,322
Due to other funds	-	2,121	204,733	-	35,288	-	-	242,142
Total Liabilities	53,147	8,541	252,247	89,642	70,887	-	-	474,464
FUND BALANCES								
Nonspendable	-	-	22,207	-	-	-	-	22,207
Restricted								
Capital projects	-	-	-	-	-	3,653,475	-	3,653,475
All others	(1)	144,654	786,543	-	-	-	-	931,196
Assigned	-	16,646	-	1,606,311	3,480,170	-	12,162,051	17,265,178
Total Fund Balances	(1)	161,300	808,750	1,606,311	3,480,170	3,653,475	12,162,051	21,872,056
Total Liabilities and Fund Balances	$ 53,146	$ 169,841	$ 1,060,997	$ 1,695,953	$ 3,551,057	$ 3,653,475	$ 12,162,051	$ 22,346,520

	Special Education Pass-Through Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Non-Major Governmental Funds
REVENUES								
LCFF sources	$ -	$ -	$ -	$ 700,000	$ -	$ -	$ -	$ 700,000
Federal sources	3,559,925	46,343	646,443	-	-	-	-	4,252,711
Other state sources	11,645,719	556,913	40,683	-	-	(1,039,244)	-	11,204,071
Other local sources	-	70,996	3,807,095	17,167	1,209,681	51,999	133,711	5,290,649
Total Revenues	15,205,644	674,252	4,494,221	717,167	1,209,681	(987,245)	133,711	21,447,431
EXPENDITURES								
Current								
Instruction	-	231,388	-	-	-	-	-	231,388
Instruction-related services								
Instructional library, media, and technology	-	10,434	-	-	-	-	-	10,434
School site administration	-	367,207	-	-	-	-	-	367,207
Pupil services	-	-	-	-	-	-	-	-
Food services	-	-	3,908,569	-	-	-	-	3,908,569
General administration								
All other general administration	-	-	204,733	-	-	-	-	204,733
Plant services	-	-	5,179	357,260	251,928	-	-	614,367
Transfers to other agencies	15,205,645	-	-	-	-	-	-	15,205,645
Debt service								
Principal	-	-	-	-	896,132	-	-	896,132
Interest and other	-	-	-	-	345,697	-	-	345,697
Total Expenditures	15,205,645	609,029	4,118,481	357,260	1,493,757	-	-	21,784,172
Excess (Deficiency) of Revenues								
Over Expenditures	(1)	65,223	375,740	359,907	(284,076)	(987,245)	133,711	(336,741)
Other Financing Sources (Uses)								
Transfers in	-	-	19,709	-	-	-	257,140	276,849
Transfers out	-	-	-	-	(35,288)	-	-	(35,288)
Net Financing Sources (Uses)	-	-	19,709	-	(35,288)	-	257,140	241,561
NET CHANGE IN FUND BALANCE	(1)	65,223	395,449	359,907	(319,364)	(987,245)	390,851	(95,180)
Fund Balance - Beginning	-	96,077	413,301	1,246,404	3,799,534	4,640,720	11,771,200	21,967,236
Fund Balance - Ending	$ (1)	$ 161,300	$ 808,750	$ 1,606,311	$ 3,480,170	$ 3,653,475	$ 12,162,051	$ 21,872,056

NOTE 1 – PURPOSE OF SCHEDULES

Local Education Agency Organization Structure

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

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2018, 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 1 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.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

NOTE 1 – PURPOSE OF SCHEDULES, continued

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

As of June 30, 2018, the District is not a sponsoring local educational agency for any charter schools.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

OTHER INDEPENDENT AUDITORS' REPORTS

COSSOLIAS | WILSON
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CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 15, 2018.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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.

CWDL, Certified Public Accountants

San Diego, California
December 15, 2018

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

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, 2018. 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.

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Opinion on Each Major Federal Program

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

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.

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.

CWDL, Certified Public Accountants

San Diego, California
December 15, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2017-18 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Pleasanton Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards 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.

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Opinion on State Compliance

In our opinion, Pleasanton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and questioned costs as item Finding #2018-02. Our opinion is not modified with respect to these matters.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
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
Apprenticeship: Related and Supplemental Instruction	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

PROGRAM NAME	PROCEDURES PERFORMED
Local Control and Accountability Plan	Yes
Independent Study-Coursed Based	Not applicable
Charter Schools:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study for Charter	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

We did not perform any procedures related to Independent Study because the ADA reported was below the level required for testing.

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

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

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

The District did not have an After-School Education and Safety Program; therefore, we did not perform any procedures related to the After-School Education and Safety Program.

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

The District did not operate any charter schools; therefore, we did not perform any procedures specific to any charter school compliance areas.

CWDL, Certified Public Accountants

San Diego, California
December 15, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Noted
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
84.027, 74.173, 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?	No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB3627 FINDING TYPES
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

Finding #2018-01: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: In accordance with sound internal control practices, Associated Student Body (ASB) organizations should have appropriate safeguards in place to control receipt and disbursement transactions so as to minimize the potential for loss and misuse of student funds.

Condition: We found the following internal control deficiencies in our test of ASB controls:

Foothill High School

- Fifteen (15) out of 15 expenditures tested were accompanied by a check request that was signed and completed after expenses were made.
- One (1) out of 15 expenditures tested related to a stipend for the Athletics Director.
- One (1) out of 10 cash receipts tested did not have detailed support to reconcile with cash collected.

Amador Valley High School

- Seven (7) out of 15 expenditures tested were accompanied by a check request that was signed and completed after expenses were made.
- One (1) out of 15 expenditures tested was made out of petty cash, rather than an ASB warrant.
- One (1) out of 15 expenditures tested was not documented with sufficient detail to support refund to student.
- Two (2) out of 15 expenditures tested were not documented with receipting documentation to evidence arrival of purchased goods on campus.
- Five (5) out of 10 cash receipts tested did not have detailed support to reconcile with cash collected.
- Three (3) out of 10 club constitutions tested were not on file.

Amador Valley High School

- Three (3) club’s are missing club constitutions.
    - Chemistry Club, 2134-000, Colette Woodruff
    - Class of 2020, 2184-000, John Benbenek
    - Sodoku Club, 2403-900, C Snyder

Harvest Park Middle School

- Six (6) of 6 cash disbursements were paid using an ASB Account Authorization form that was dated after expenditures were made.
- Four (4) of 5 cash receipts tested did not have detailed support to reconcile with cash collected.

Finding #2018-01: ASSOCIATED STUDENT BODY (ASB) (30000), continued

Pleasanton Middle School

- Six (6) out of 10 expenditures tested were accompanied by a check request that was signed and completed after expenses were made.
- Two (2) out of 10 expenditures tested were not documented with all required approval signatures.
- One (1) out of 10 expenditures tested related to pay for the ASB Leadership Advisor.
- Three (3) of 5 cash receipts tested did not have detailed support to reconcile with cash collected.

Cause: Lack of consistent application of District policies in ASB organizations.

Perspective: Internal control walkthroughs and detail tests of transactions occurred at Foothill high School, Amador Valley High School, Harvest Park Middle School, and Pleasanton Middle School. Foothill High School and Amador Valley High School consisting of samples of 15 disbursements and 15 receipts at Harvest Park Middle School and six (6) disbursements and five (5) receipts. At Pleasanton Middle School samples consisted of 10 expenditures and five (5) receipts.

Effect: Potential for waste or abuse in the ASB organizations.

Recommendation: The District should continue to provide support and regular in-service trainings to District employees involved with ASB organizations to best ensure the consistent application of District policies.

Management's Response: The District conducted an ASB training seminar led by the auditors from Cossolias, Wilson, Dominguez, and Leavitt in November 2018. Fiscal Services will provide a guide and resources that Activities Directors can use and annual trainings will be provided.

FIVE DIGIT CODE	AB3627 FINDING TYPES
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2018.

FIVE DIGIT CODE	AB3627 FINDING TYPES
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Program
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Missassignments
72000	School Accountability Report Card

Finding #2018-02: ATTENDANCE ACCOUNTING (10000, 40000)

Criteria: Certificated rosters, absence notes, and other source documents of attendance should be correctly posted to the District's attendance system per Education Code Section 46000 et seq. Auditors are required to verify compliance in Section 19817.1 of the Standards and Procedures for Audits of California K-12 Local Educational Agencies.

Condition: From our testing at Village Continuation High School, we discovered that the total weekly student hours included an 8^{th} period which was not a valid period attended by students. We also did not note any teacher rosters for this 8^{th} period.

Cause: Clerical oversight.

Effect: There is no ADA impact as the students with variances each had over 15 hours of properly documented attendance for the tested week, and the District eliminated this 8^{th} period from its attendance system and submitted accurate and complete attendance date for P2.

ADA Impact: The District's P2 report was not impacted as a result of this exception, as the students with variances each had over 15 hours of properly documented attendance for the tested week, and the District removed all 8^{th} period hours prior to P2 submission.

Recommendation: We recommend that the District review each school site for proper posting and recording of all hours and attendance days.

Management's Response: The District's Fiscal Services Department provided guidance during May 2018 on the proper attendance procedures to site attendance personnel. Fiscal services will continue to provide attendance reporting support as needed, to ensure that proper procedures are followed.

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.

Current Status:

Implemented in current year.

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.

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

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.

Current Status:

Implemented in current year.