

PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**PITTSBURG UNIFIED SCHOOL DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Pittsburg Unified School District
Pittsburg, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability, schedule of District contributions – OPEB, schedule of investment returns – OPEB, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pittsburg Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of Pittsburg Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pittsburg Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2017

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

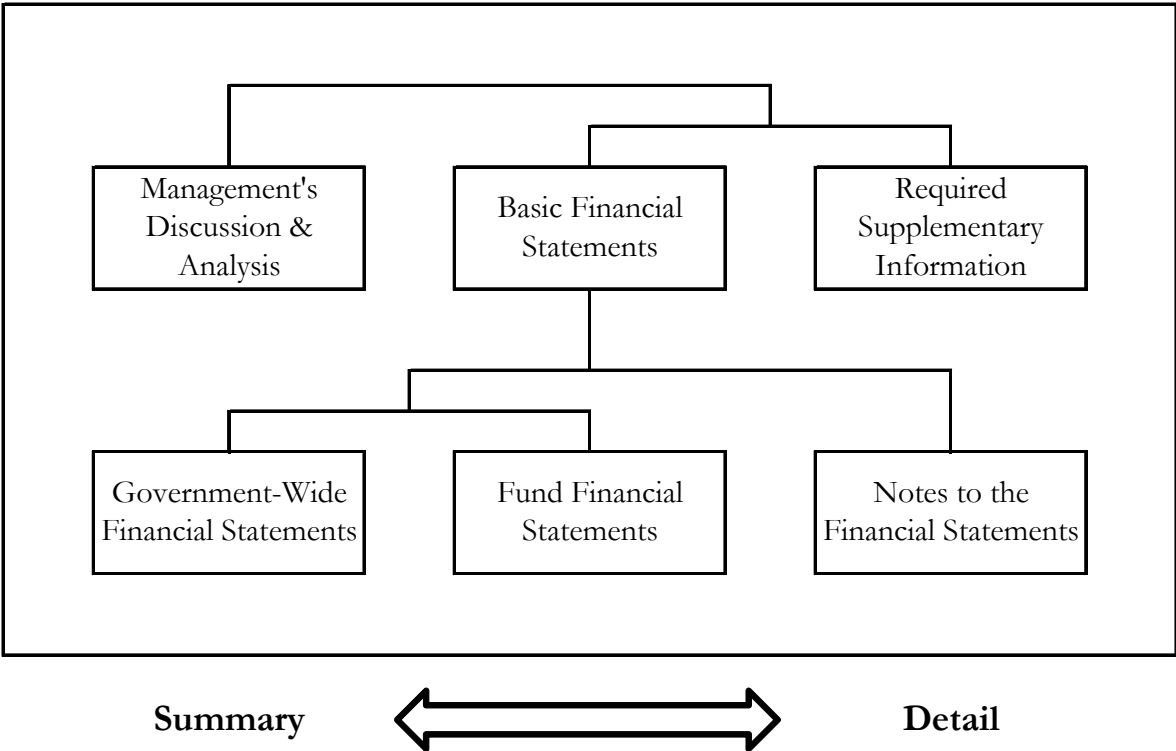
Our discussion and analysis of Pittsburg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$7,347,170 at June 30, 2017. This was a decrease of \$33,056,786 from the prior year's net position.
- Overall revenues were \$175,311,414 which were less than expenses of \$208,368,200.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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.

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

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 government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$7,347,170 at June 30, 2017, as reflected below. Of this amount, \$(85,883,908) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2017	2016	Net Change
ASSETS			
Current and other assets	\$ 56,784,548	\$ 82,929,296	\$ (26,144,748)
Capital assets	337,068,649	312,715,494	24,353,155
Total Assets	393,853,197	395,644,790	(1,791,593)
DEFERRED OUTFLOWS OF RESOURCES	33,269,353	17,312,951	15,956,402
LIABILITIES			
Current liabilities	16,631,234	20,218,232	(3,586,998)
Long-term liabilities	399,844,867	343,394,728	56,450,139
Total Liabilities	416,476,101	363,612,960	52,863,141
DEFERRED INFLOWS OF RESOURCES	3,299,279	8,940,825	(5,641,546)
NET POSITION			
Net investment in capital assets	60,216,236	99,476,679	(39,260,443)
Restricted	33,014,842	19,736,822	13,278,020
Unrestricted	(85,883,908)	(78,809,545)	(7,074,363)
Total Net Position	\$ 7,347,170	\$ 40,403,956	\$ (33,056,786)

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement and rearranges it slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2017	2016	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 392,666	\$ 420,796	\$ (28,130)
Operating grants and contributions	31,315,253	28,975,686	2,339,567
Capital grants and contributions	-	9,477	(9,477)
General revenues			
Property taxes	40,999,536	31,074,586	9,924,950
Unrestricted federal and state aid	97,843,733	93,522,690	4,321,043
Other	4,760,226	6,189,216	(1,428,990)
Total Revenues	175,311,414	160,192,451	15,118,963
EXPENSES			
Instruction	89,675,320	76,244,137	13,431,183
Instruction-related services	17,822,195	14,318,736	3,503,459
Pupil services	17,012,336	15,059,146	1,953,190
General administration	7,568,803	20,724,376	(13,155,573)
Plant services	14,586,909	20,452,802	(5,865,893)
Ancillary and community services	1,161,726	824,148	337,578
Debt service	43,780,595	8,396,930	35,383,665
Other Outgo	2,565,903	1,900,973	664,930
Depreciation	14,194,413	14,143,369	51,044
Total Expenses	208,368,200	172,064,617	36,303,583
Change in net position	(33,056,786)	(11,872,166)	(21,184,620)
Net Position - Beginning	40,403,956	52,276,122	(11,872,166)
Net Position - Ending	\$ 7,347,170	\$ 40,403,956	\$ (33,056,786)

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

The cost of all our governmental activities this year was \$208,368,200 while net cost of services was only \$176,660,281. The amount that our taxpayers ultimately financed for these activities through taxes was only \$40,999,536 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2017	2016
Instruction	\$ 70,332,233	\$ 60,985,275
Instruction-related services	14,705,525	11,951,393
Pupil services	8,965,655	7,615,219
General administration	7,121,240	19,971,346
Plant services	14,390,262	17,843,391
Ancillary and community services	1,150,966	821,241
Debt service	43,780,595	8,396,930
Transfers to other agencies	2,019,392	930,494
Depreciation	14,194,413	14,143,369
Total Expenses	\$ 176,660,281	\$ 142,658,658

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR 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 \$50,942,990, which is less than the beginning fund balance of \$74,994,849. The District’s General Fund had \$2,366,457 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$38,090,314 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Capital Facilities Fund had \$12,180,023 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Special Reserve Fund for Capital Outlay Projects had operating revenues equal to expenditures for the year ended June 30, 2017. The District’s Bond Interest and Redemption Fund had \$1,321,047 less in operating revenues than expenditures for the year ended June 30, 2017.

CURRENT YEAR BUDGET 2016-17

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. 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 projections and current budget based on State and local financial information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$337,068,649 in capital assets, net of accumulated depreciation.

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
CAPITAL ASSETS			
Land	\$ 1,473,363	\$ 1,473,363	\$ -
Construction in progress	39,232,489	13,088,727	26,143,762
Land improvements	17,624,207	17,536,842	87,365
Buildings & improvements	402,360,667	390,375,164	11,985,503
Furniture & equipment	7,669,637	7,822,244	(152,607)
Accumulated depreciation	(131,291,714)	(117,580,846)	(13,710,868)
Total Capital Assets	<u>\$337,068,649</u>	<u>\$312,715,494</u>	<u>\$ 24,353,155</u>

Long-Term Debt

At year-end, the District had \$399,844,867 in long-term debt, an increase of \$56,450,139 from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
LONG-TERM LIABILITIES			
Total general obligation bonds	\$259,846,134	\$232,103,639	\$ 27,742,495
Total certificates of participation	19,545,000	20,830,000	(1,285,000)
Energy loan	826,035	826,035	-
Compensated absences	864,912	616,591	248,321
BBVA Compass loan	4,248,000	4,637,000	(389,000)
Net OPEB obligation	10,732,133	8,449,977	2,282,156
Net pension liability	110,457,204	84,890,685	25,566,519
Less: current portion of long-term debt	(6,674,551)	(8,959,199)	2,284,648
Total Long-term Liabilities	<u>\$399,844,867</u>	<u>\$343,394,728</u>	<u>\$ 56,450,139</u>

**PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are 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 2017-18 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office, Pittsburg Unified School District, 2000 Railroad Avenue; Pittsburg, California 94565.

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 42,895,721
Accounts receivable	13,804,389
Inventory	84,438
Capital assets, not depreciated	40,705,852
Capital assets, net of accumulated depreciation	296,362,797
Total Assets	393,853,197
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	28,927,312
Deferred amount on refunding	4,342,041
Total Deferred Outflows of Resources	33,269,353
LIABILITIES	
Deficit cash	81,014
Accrued liabilities	8,947,613
Unearned revenue	928,056
Long-term liabilities, current portion	6,674,551
Long-term liabilities, non-current portion	399,844,867
Total Liabilities	416,476,101
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	3,299,279
Total Deferred Inflows of Resources	3,299,279
NET POSITION	
Net investment in capital assets	60,216,236
Restricted:	
Capital projects	12,183,462
Debt service	8,131,613
Educational programs	11,323,422
All others	1,376,345
Unrestricted	(85,883,908)
Total Net Position	\$ 7,347,170

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

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Function/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 89,675,320	\$ 23,633	\$ 19,319,454	\$	(70,332,233)
Instruction-related services					
Instructional supervision and administration	5,124,791	7,162	928,680		(4,188,949)
Instructional library, media, and technology	1,036,908	145	123,468		(913,295)
School site administration	11,660,496	2,287	2,054,928		(9,603,281)
Pupil services					
Home-to-school transportation	1,747,510	3,924	99,244		(1,644,342)
Food services	5,900,125	334,270	5,247,105		(318,750)
All other pupil services	9,364,701	4,381	2,357,757		(7,002,563)
General administration					
Centralized data processing	1,316,074	34	323		(1,315,717)
All other general administration	6,252,729	9,018	438,188		(5,805,523)
Plant services	14,586,909	1,761	194,886		(14,390,262)
Ancillary services	903,684	-	10,760		(892,924)
Community services	258,042	-	-		(258,042)
Interest on long-term debt	43,780,595	-	-		(43,780,595)
Other Outgo	2,565,903	6,051	540,460		(2,019,392)
Depreciation (unallocated)	14,194,413	-	-		(14,194,413)
Total Governmental Activities	\$ 208,368,200	\$ 392,666	\$ 31,315,253		(176,660,281)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					
					15,780,629
Property taxes, levied for debt service					
					13,161,843
Property taxes, levied for other specific purposes					
					12,057,064
Federal and state aid not restricted for specific purposes					
					97,843,733
Interest and investment earnings					
					594,454
Miscellaneous					
					4,165,772
Subtotal, General Revenue					
					143,603,495
CHANGE IN NET POSITION					
					(33,056,786)
Net Position - Beginning					
					40,403,956
Net Position - Ending					
					\$ 7,347,170

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

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 15,472,003	\$ 951,767	\$ 12,183,453	\$ 737,668	\$ 12,246,738	\$ 1,304,092	\$ 42,895,721
Accounts receivable	11,417,918	-	-	-	-	2,386,471	13,804,389
Due from other funds	136,222	-	-	7,658	-	-	143,880
Stores inventory	-	-	-	-	-	84,438	84,438
Total Assets	\$ 27,026,143	\$ 951,767	\$ 12,183,453	\$ 745,326	\$ 12,246,738	\$ 3,775,001	\$ 56,928,428
LIABILITIES							
Deficit cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,014	\$ 81,014
Accrued liabilities	3,782,547	697,547	-	-	-	352,394	4,832,488
Due to other funds	7,658	-	-	-	-	136,222	143,880
Unearned revenue	182,730	-	-	745,326	-	-	928,056
Total Liabilities	3,972,935	697,547	-	745,326	-	569,630	5,985,438
FUND BALANCES							
Nonspendable	25,000	-	-	-	-	89,438	114,438
Restricted	10,532,733	254,220	12,183,453	-	12,246,738	2,167,043	37,384,187
Committed	-	-	-	-	-	948,890	948,890
Assigned	3,174,744	-	-	-	-	-	3,174,744
Unassigned	9,320,731	-	-	-	-	-	9,320,731
Total Fund Balances	23,053,208	254,220	12,183,453	-	12,246,738	3,205,371	50,942,990
Total Liabilities and Fund Balances	\$ 27,026,143	\$ 951,767	\$ 12,183,453	\$ 745,326	\$ 12,246,738	\$ 3,775,001	\$ 56,928,428

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

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds \$ 50,942,990

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	\$ 468,360,363	
Accumulated depreciation	<u>(131,291,714)</u>	337,068,649

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

4,342,041

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 unmaturing interest owing at the end of the period was:

(4,115,125)

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 of:

Total general obligation bonds	\$ 259,846,134	
Total certificates of participation	19,545,000	
Energy loan	826,035	
Compensated absences	864,912	
BBVA Compass loan	4,248,000	
Net OPEB obligation	10,732,133	
Net pension liability	<u>110,457,204</u>	(406,519,418)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 28,927,312	
Deferred inflows of resources related to pensions	<u>(3,299,279)</u>	25,628,033

Total Net Position - Governmental Activities \$ 7,347,170

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

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	\$ 108,985,330	\$ -	\$ -	\$ -	\$ -	355,221	\$ 109,340,551
Federal sources	4,980,962	-	-	-	-	5,745,566	10,726,528
Other state sources	12,048,396	-	-	706,947	58,745	4,437,112	17,251,200
Other local sources	4,039,070	198,948	15,582,482	9,101	13,192,891	610,721	33,633,213
Total Revenues	130,053,758	198,948	15,582,482	716,048	13,251,636	11,148,620	170,951,492
EXPENDITURES							
Current							
Instruction	77,990,853	-	-	-	-	3,406,211	81,397,064
Instruction-related services							
Instructional supervision and administration	4,891,267	-	-	-	-	-	4,891,267
Instructional library, media, and technology	989,175	-	-	-	-	-	989,175
School site administration	9,820,654	-	-	-	-	1,113,679	10,934,333
Pupil services							
Home-to-school transportation	1,799,213	-	-	-	-	-	1,799,213
Food services	616	-	-	-	-	5,771,958	5,772,574
All other pupil services	8,818,783	-	-	-	-	-	8,818,783
General administration							
Centralized data processing	1,568,536	-	-	-	-	-	1,568,536
All other general administration	5,841,739	-	-	-	-	237,659	6,079,398
Plant services	12,208,735	-	-	-	-	350,216	12,558,951
Facilities acquisition and maintenance	46,306	38,289,262	719,441	716,048	-	-	39,771,057
Ancillary services	894,736	-	-	-	-	-	894,736
Community services	250,785	-	-	-	-	-	250,785
Transfers to other agencies	2,565,903	-	-	-	-	-	2,565,903
Debt service							
Principal	-	-	1,674,000	-	5,960,000	-	7,634,000
Interest and other	-	-	1,009,018	-	8,612,683	-	9,621,701
Total Expenditures	127,687,301	38,289,262	3,402,459	716,048	14,572,683	10,879,723	195,547,476
Excess (Deficiency) of Revenues							
Over Expenditures	2,366,457	(38,090,314)	12,180,023	-	(1,321,047)	268,897	(24,595,984)
Other Financing Sources (Uses)							
Other sources	-	-	-	-	77,297,850	-	77,297,850
Other uses	-	-	-	-	(76,753,725)	-	(76,753,725)
Net Financing Sources (Uses)	-	-	-	-	544,125	-	544,125
NET CHANGE IN FUND BALANCE	2,366,457	(38,090,314)	12,180,023	-	(776,922)	268,897	(24,051,859)
Fund Balance - Beginning	20,686,751	38,344,534	3,430	-	13,023,660	2,936,474	74,994,849
Fund Balance - Ending	\$ 23,053,208	\$ 254,220	\$ 12,183,453	\$ -	\$ 12,246,738	\$ 3,205,371	\$ 50,942,990

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds \$ (24,051,859)

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:	\$ 38,562,523	
Depreciation expense:	<u>(14,194,413)</u>	24,368,110

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 debt were:

51,313,000

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(77,297,850)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(209,985)

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(14,955)

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:

(790,539)

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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. (755,196)

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: (248,321)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (2,282,156)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (3,758,586)

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: 671,551

Change in Net Position of Governmental Activities

\$ (33,056,786)

PITTSBURG UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Trust Funds		Agency Funds
	Retiree Benefit Fund	Private-Purpose Trust Fund	Student Body Fund
ASSETS			
Cash and investments	\$ 1,763,454	\$ 125,374	\$ 462,526
Accounts receivable	3,476	-	-
Total Assets	1,766,930	125,374	\$ 462,526
LIABILITIES			
Accrued liabilities	3,476	50	\$ -
Due to student groups	-	-	462,526
Total Liabilities	3,476	50	\$ 462,526
NET POSITION			
Restricted for postemployment benefits other than pensions	1,762,896	-	
Restricted - other	558	125,324	
Total Net Position	\$ 1,763,454	\$ 125,324	

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

**PITTSBURG UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	Trust Funds	
	Retiree Benefit Fund	Private-Purpose Trust Fund
ADDITIONS		
Contributions	\$ 1,548,331	\$ -
Investment earnings	192,084	1,133
Other	-	26,550
Total Additions	1,740,415	27,683
DEDUCTIONS		
Benefit payments	1,248,331	-
Other trust activities	-	18,750
Administrative expense	19,562	-
Total Deductions	1,267,893	18,750
CHANGE IN NET POSITION	472,522	8,933
Net Position - Beginning, as restated	1,290,932	116,391
Net Position - Ending	\$ 1,763,454	\$ 125,324

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Pittsburg 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).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

The District and Pittsburg Unified School District Financing Corporation (“the Corporation”) have a financial and operational relationship that meets the reporting entity definition criteria for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the financial statements of the District

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete.

The Corporation was formed in March 1994, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District for construction and acquisition of major capital facilities. Certificates of Participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

B. Component Units (*continued*)

The following are those aspects of the relationship between the District and the Corporation:

1. Manifestation of Oversight

- The Corporation’s Board of Directors was appointed by the District’s Governing Board. The Corporation has no employees. The District’s Deputy Superintendent functions as the agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

2. Accounting for Fiscal Matters

a. The District is able to impose its will upon the Corporation, based on the following:

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

b. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

- Any deficits incurred by the Corporation will be reflected in the lease payments of the District.
- Any surpluses of the Corporation revert to the District at the end of the lease period.
- The District has assumed a “moral obligation”, and potentially a legal obligation, on any debt incurred by the Corporation.

3. Scope of Public Service and Financial Presentation

- The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all Corporation facilities under a lease-purchase agreement effective through the year 2024.

The Corporation is presented in these financial statements as a blended component unit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. **Basis of Presentation**

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

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:

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b]* and *52501.5[a]*).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. **Basis of Accounting – Measurement Focus**

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified 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. On a 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. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Revenues – Exchange and Non-Exchange Transactions (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, 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 the 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, in 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) 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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

I. Property Tax

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This standard’s primary objective is to improve the usefulness of information about postemployment benefits other than pensions for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 74 for the year ended June 30, 2017.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard’s primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Investment in county treasury*	\$ 42,824,156	\$ 125,932
Cash on hand and in banks	2,500	462,526
Cash with fiscal agent	3,518	-
Cash in revolving fund	30,000	-
Local agency investment fund	35,547	
OPEB Trust	-	1,762,896
Total cash and investments	<u>\$ 42,895,721</u>	<u>\$ 2,351,354</u>

*presented net of deficit cash

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Contra Costa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

B. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$42,965,562 and an amortized book value of \$42,950,088. The average weighted maturity for this pool is 205 days.

Local Agency Investment Fund - The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has an amortized book value of \$35,547, which approximates fair value.

Cash with Fiscal Agent - Cash with Fiscal Agent represents \$3,518 in the Capital Facilities Fund held by US Bank and restricted for construction costs of various capital improvements.

OPEB Trust – This represents investments in an irrevocable trust for OPEB.

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury and LAIF are not required to be rated. As of June 30, 2017, the pooled investments in the County Treasury were rated AAAf/S1+ by Standard and Poor's, and the pooled investments in LAIF had a rating of AAA/V1.

E. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

F. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

Uncategorized - Investments in the Contra Costa County Treasury Investment Pool, Local Agency Investment Fund, and the District's OPEB Trust are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Fair Value (continued)

The District's fair value measurements at June 30, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 42,965,562
Local agency investment fund	35,547
OPEB trust	<u>1,762,896</u>
Total fair market value of investments	<u>\$ 44,764,005</u>

NOTE 3 – ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Total Fiduciary</u>
Federal Government				
Categorical aid	\$ 2,000,602	\$ 1,408,961	\$ 3,409,563	\$ -
State Government				
Apportionment	8,079,428	-	8,079,428	-
Categorical aid	534,119	874,548	1,408,667	-
Lottery	380,450	-	380,450	-
Local Government				
Other local sources	423,319	102,962	526,281	3,476
Total	<u>\$ 11,417,918</u>	<u>\$ 2,386,471</u>	<u>\$ 13,804,389</u>	<u>\$ 3,476</u>

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,473,363	\$ -	\$ -	\$ 1,473,363
Construction in progress	13,088,727	38,075,874	11,932,112	39,232,489
Total Capital Assets not Being Depreciated	14,562,090	38,075,874	11,932,112	40,705,852
Capital assets being depreciated				
Land improvements	17,536,842	87,365	-	17,624,207
Buildings & improvements	390,375,164	11,985,503	-	402,360,667
Furniture & equipment	7,822,244	345,893	498,500	7,669,637
Total Capital Assets Being Depreciated	415,734,250	12,418,761	498,500	427,654,511
Less Accumulated Depreciation				
Land improvements	15,767,628	203,021	-	15,970,649
Buildings & improvements	96,302,096	13,510,247	-	109,812,343
Furniture & equipment	5,511,122	481,145	483,545	5,508,722
Total Accumulated Depreciation	117,580,846	14,194,413	483,545	131,291,714
Governmental Activities				
Capital Assets, net	\$ 312,715,494	\$ 36,300,222	\$ 11,947,067	\$ 337,068,649

NOTE 5 – INTERFUND TRANSACTIONS

Due To/From Other Funds

Due to/from other funds at June 30, 2017 consisted of the following:

Due To Other Funds	Due From Other Funds			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ 7,658	\$ -	\$ 7,658
Non-Major Governmental Funds	136,222	-	-	136,222
Total Due From Other Funds	\$ 136,222	\$ 7,658	\$ -	\$ 143,880
Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects to move emergency repair funds.			\$	7,658
Due from the Cafeteria Fund to the General Fund for indirect costs and postage expense.				136,222
Total			\$	143,880

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consisted of the following:

			Non-Major Governmental		Total Governmental		Total Fiduciary
	General Fund	Building Fund	Funds	District-Wide	Activities		
Payroll	\$ 184,934	\$ -	\$ -	\$ -	\$ 184,934	\$ -	-
Vendors payable	3,597,613	697,547	352,394	-	4,647,554	3,526	3,526
Unmatured interest	-	-	-	4,115,125	4,115,125	-	-
Total	\$ 3,782,547	\$ 697,547	\$ 352,394	\$ 4,115,125	\$ 8,947,613	\$ 3,526	-

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	Special Reserve Fund for Capital		Total Governmental Activities
	General Fund	Outlay Projects	
Federal sources	\$ 139,513	\$ -	\$ 139,513
State categorical sources	43,217	745,326	788,543
Total	\$ 182,730	\$ 745,326	\$ 928,056

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT

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

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 222,288,211	\$ 69,700,000	\$ 49,639,000	\$ 242,349,211	\$ 4,740,000
Unamortized premium	7,554,129	7,597,850	671,551	14,480,428	671,551
Accreted interest	2,261,299	755,196	-	3,016,495	-
Total general obligation bonds	232,103,639	78,053,046	50,310,551	259,846,134	5,411,551
Certificates of participation	20,830,000	-	1,285,000	19,545,000	845,000
Energy loan	826,035	-	-	826,035	-
Compensated absences	616,591	248,321	-	864,912	-
BBVA Compass loan	4,637,000	-	389,000	4,248,000	418,000
Net OPEB obligation	8,449,977	2,282,156	-	10,732,133	-
Net pension liability	84,890,685	25,566,519	-	110,457,204	-
Total	\$ 352,353,927	\$ 106,150,042	\$ 51,984,551	\$ 406,519,418	\$ 6,674,551

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the Capital Facilities Fund.

Payments for compensated absences are typically paid in the fund in which the employee worked.

Payments for the BBVA Compass loan are made in the Capital Facilities Fund.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$864,912. This amount is included as part of long-term liabilities in the government-wide financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

A summary of the District’s bonded indebtedness is shown below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding July 01, 2016	Outstanding June 30, 2017	Additions	Deductions
March 9, 2005	August 1, 2016	3.50% - 12.00%	\$ 17,100,000	\$ 525,000	\$ -	\$ 525,000	\$ -
June 8, 2006	August 1, 2016	4.00% - 6.00%	13,350,000	325,000	-	325,000	-
September 26, 2007	August 1, 2032	4.00% - 8.00%	10,050,000	8,030,000	-	335,000	7,695,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	15,000,000	9,685,000	-	430,000	9,255,000
March 12, 2009	August 1, 2034	2.50% - 5.00%	35,000,000	7,385,000	-	555,000	6,830,000
February 24, 2010	August 1, 2023	2.00% - 5.00%	6,810,000	4,520,000	-	485,000	4,035,000
July 1, 2011	August 1, 2042	5.50%	59,999,952	48,975,000	-	43,679,000	5,296,000
July 24, 2012	August 1, 2034	4.15% - 4.92%	25,000,000	25,000,000	-	-	25,000,000
July 24, 2012	August 1, 2026	3.00% - 5.00%	13,265,000	11,710,000	-	600,000	11,110,000
August 7, 2012	August 1, 2052	4.25%	18,003,211	18,003,211	-	-	18,003,211
April 8, 2014	August 1, 2043	2.00% - 5.00%	12,500,000	12,365,000	-	25,000	12,340,000
April 8, 2014	August 1, 2029	2.00% - 5.00%	9,985,000	8,880,000	-	525,000	8,355,000
June 3, 2015	August 1, 2044	3.00 - 5.00%	30,000,000	30,000,000	-	1,030,000	28,970,000
June 3, 2015	August 1, 2039	3.00 - 5.00%	37,625,000	36,885,000	-	45,000	36,840,000
July 13, 2016	August 1, 2044	2.00 - 4.00%	69,700,000	-	69,700,000	1,080,000	68,620,000
				\$ 222,288,211	\$ 69,700,000	\$ 49,639,000	\$ 242,349,211

2005 General Obligation Bonds

In 2005, the District issued \$17,100,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2029, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 12.00%. The Bonds were partially refunded during the year ended June 30, 2013 on an advance basis. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability has been removed from the District’s liabilities. The defeased bonds were redeemed in full on August 1, 2013. The Bonds matured in full during the year ended June 30, 2017.

2006 General Obligation Bonds

In 2006, the District issued \$13,350,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2030, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 6.00%. The Bonds were partially refunded during the year ended June 30, 2015 on an advance basis. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability has been removed from the District’s liabilities. The defeased bonds will be redeemed in full on August 1, 2016. The Bonds matured in full during the year ended June 30, 2017.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2008 General Obligation Bonds

In fiscal year 2008, the District issued \$10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2032, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 350,000	\$ 333,234	\$ 683,234
2019	360,000	319,034	679,034
2020	370,000	304,434	674,434
2021	385,000	289,141	674,141
2022	405,000	272,744	677,744
2023 - 2027	2,280,000	1,083,326	3,363,326
2028 - 2032	2,870,000	509,874	3,379,874
2033	675,000	16,031	691,031
Total	<u>\$ 7,695,000</u>	<u>\$ 3,127,818</u>	<u>\$ 10,822,818</u>

2008 General Obligation Bonds

In fiscal year 2008, the District issued \$15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2032, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 450,000	\$ 399,824	\$ 849,824
2019	460,000	381,624	841,624
2020	445,000	363,524	808,524
2021	465,000	345,091	810,091
2022	485,000	325,374	810,374
2023 - 2027	2,740,000	1,289,947	4,029,947
2028 - 2032	3,415,000	603,439	4,018,439
2033	795,000	18,881	813,881
Total	<u>\$ 9,255,000</u>	<u>\$ 3,727,704</u>	<u>\$ 12,982,704</u>

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2010 General Obligation Bonds

On March 12, 2009, the District issued Series B General Obligation Bonds in the amount of \$35,000,000. The Bonds require annual principal payments through August 1, 2034, plus interest. Annual interest rates for these General Obligation Bonds range from 2.50% to 5.00%. The Bonds were partially refunded during the year ended June 30, 2015 on an advance basis. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability has been removed from the District’s liabilities. The defeased bonds will be redeemed in full on August 1, 2018. The Bonds that were not refunded mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 570,000	\$ 352,675	\$ 922,675
2019	605,000	326,150	931,150
2020	-	311,025	311,025
2021	-	311,025	311,025
2022	-	311,025	311,025
2023 - 2027	-	1,555,125	1,555,125
2028 - 2032	-	1,555,125	1,555,125
2033 - 2035	5,655,000	522,638	6,177,638
Total	\$ 6,830,000	\$ 5,244,788	\$ 12,074,788

2010 General Obligation Refunding Bonds

In fiscal year 2009-10, the District issued \$6,810,000 of General Obligation Refunding Bonds. The 2010 General Obligation Refunding Bonds require annual principal payments through August 2023, plus interest. Annual interest rates for these General Obligation Bonds range from 2.00% to 5.00%. The Bonds were sold to refinance the 1995 Election, Series D Bond which was issued in the principal amount of \$10,000,000. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 505,000	\$ 179,475	\$ 684,475
2019	525,000	158,875	683,875
2020	545,000	134,750	679,750
2021	570,000	106,875	676,875
2022	600,000	77,625	677,625
2023 - 2024	1,290,000	62,438	1,352,438
Total	\$ 4,035,000	\$ 720,038	\$ 4,755,038

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2011 General Obligation Revenue Bonds

In fiscal year 2011-12, the Financing Corporation issued \$59,999,952 of General Obligation Revenue Bonds. The Bonds were issued to purchase the Election of 2006, Series C and Election 2010, Series A bonds. Annual interest rates for these Bonds range are 5.50%. The two District bonds were structured with amortization schedules that match the constraints of each bond authorization. The Bonds also refunded the District’s 2009 Certificates of Participation. During the year ended June 30, 2017, a portion of the bonds were refunded by the District’s 2016 Refunding Bonds. The remaining Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ -	\$ -	-
2019	-	-	-
2020	-	-	-
2021	85,000	90,000	175,000
2022	150,000	200,000	350,000
2023 - 2027	2,030,000	2,770,000	4,800,000
2028 - 2032	1,256,000	2,194,000	3,450,000
2033 - 2037	-	-	-
2038 - 2042	1,565,000	7,060,000	8,625,000
2043	210,000	2,215,000	2,425,000
Total	\$ 5,296,000	\$ 14,529,000	\$ 19,825,000

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

Election 2010, Series B Bonds

In fiscal year 2012-13, the District issued \$25,000,000 in Direct Payment Qualified School Construction Bonds. The Bonds require principal and interest payments through August 1, 2034. Annual interest rates for these Bonds range from 4.15% to 4.92%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ -	\$ 1,155,888	\$ 1,155,888
2019	-	1,155,888	1,155,888
2020	-	1,155,888	1,155,888
2021	-	1,155,888	1,155,888
2022	-	1,155,888	1,155,888
2023 - 2027	9,625,000	5,180,281	14,805,281
2028 - 2032	-	3,782,250	3,782,250
2033 - 2035	15,375,000	1,891,125	17,266,125
Total	\$ 25,000,000	\$ 16,633,096	\$ 41,633,096

2012 General Obligation Refunding Bonds

In fiscal year 2012-13, the District issued \$13,265,000 in General Obligation Refunding Bonds. The Bonds were issued to advance refund a portion of the Election of 2004, Series A Bonds and current refund the 2003 Refunding Bonds. The Bonds require principal and interest payments through August 1, 2026. Annual interest rates for these Bonds range from 3.00% to 5.00%. The refunding transaction resulted in a net savings to the District of approximately \$835,000. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,115,000	\$ 417,900	\$ 1,532,900
2019	1,200,000	371,600	1,571,600
2020	1,270,000	319,025	1,589,025
2021	1,370,000	266,200	1,636,200
2022	1,070,000	215,200	1,285,200
2023 - 2027	5,085,000	441,975	5,526,975
Total	\$ 11,110,000	\$ 2,031,900	\$ 13,141,900

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

Election of 2010, Series C

In fiscal year 2012-13, the District issued \$18,003,211 in General Obligation Bonds. The Bonds consist of \$8,340,000 in current interest bonds and \$9,663,211 in capital appreciation bonds. The Bonds mature on August 1, 2052. Annual interest rates for these Bonds are 4.25%. The Bonds mature as follows:

Year Ended June 30,	Principal*	Interest	Total
2018	\$ -	\$ 354,450	\$ 354,450
2019	-	354,450	354,450
2020	-	354,450	354,450
2021	-	354,450	354,450
2022	-	354,450	354,450
2023 - 2027	-	1,772,250	1,772,250
2028 - 2032	-	1,772,250	1,772,250
2033 - 2037	312,355	6,129,895	6,442,250
2038 - 2042	2,559,228	13,108,022	15,667,250
2043 - 2047	2,445,060	14,968,250	17,413,310
2048 - 2052	4,323,180	35,806,154	40,129,334
2053	8,363,388	403,838	8,767,226
Total	\$ 18,003,211	\$ 75,732,909	\$ 93,736,120

*Principal does not include accreted interest of \$3,016,495 at June 30, 2017

Election of 2010, Series D

In fiscal year 2013-14, the District issued \$12,500,000 in General Obligation Bonds. The Bonds mature on August 1, 2043. Annual interest rates for these Bonds range from 2.00% to 5.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 25,000	\$ 553,250	\$ 578,250
2019	25,000	552,750	577,750
2020	50,000	552,000	602,000
2021	50,000	550,750	600,750
2022	75,000	548,875	623,875
2023 - 2027	640,000	2,678,875	3,318,875
2028 - 2032	1,250,000	2,459,500	3,709,500
2033 - 2037	2,125,000	2,133,988	4,258,988
2038 - 2042	4,205,000	1,545,888	5,750,888
2043 - 2044	3,895,000	198,875	4,093,875
Total	\$ 12,340,000	\$ 11,774,751	\$ 24,114,751

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2014 General Obligation Refunding Bonds

In fiscal year 2013-14, the District issued \$9,985,000 in General Obligation Refunding Bonds. The Bonds were issued to refund a portion of the Election of 2004, Series A Bonds and refund the 2005 Refunding Bonds in full. The Bonds require principal and interest payments through August 1, 2029. Annual interest rates for these Bonds range from 2.00% to 5.00%. The refunding transaction resulted in a net savings to the District \$1,052,976 and a present value savings to the District of \$824,824. All of the refunded bonds were redeemed as of June 30, 2014. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 545,000	\$ 288,000	\$ 833,000
2019	570,000	271,400	841,400
2020	585,000	259,850	844,850
2021	590,000	243,300	833,300
2022	615,000	223,375	838,375
2023 - 2027	1,240,000	837,000	2,077,000
2028 - 2030	4,210,000	228,325	4,438,325
Total	\$ 8,355,000	\$ 2,351,250	\$ 10,706,250

Election of 2014, Series A

In fiscal year 2014-15, the District issued \$30,000,000 in General Obligation Bonds. The Bonds mature on August 1, 2044. Annual interest rates for these Bonds range from 3.00% to 5.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 870,000	\$ 1,210,843	\$ 2,080,843
2019	-	1,193,443	1,193,443
2020	-	1,193,443	1,193,443
2021	-	1,193,443	1,193,443
2022	-	1,193,443	1,193,443
2023 - 2027	315,000	5,959,338	6,274,338
2028 - 2032	2,035,000	5,621,838	7,656,838
2033 - 2037	3,355,000	5,133,573	8,488,573
2038 - 2042	12,345,000	3,442,304	15,787,304
2043 - 2045	10,050,000	645,740	10,695,740
Total	\$ 28,970,000	\$ 26,787,408	\$ 55,757,408

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2015 General Obligation Refunding Bonds

In fiscal year 2014-15, the District issued \$37,625,000 in General Obligation Refunding Bonds. The Bonds were issued to refund a portion of the Election of 2004, Series B Bonds and a portion of the Election of 2006, Series B Bonds. The Bonds require principal and interest payments through August 1, 2039. Annual interest rates for these Bonds range from 3.00% to 5.00%. The refunding transaction resulted in a net savings to the District \$3,695,107 and a present value savings to the District of \$2,627,478. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 310,000	\$ 1,643,200	\$ 1,953,200
2019	350,000	1,630,000	1,980,000
2020	1,100,000	1,601,000	2,701,000
2021	1,180,000	1,555,400	2,735,400
2022	1,380,000	1,504,200	2,884,200
2023 - 2027	8,465,000	6,379,625	14,844,625
2028 - 2032	10,455,000	3,912,075	14,367,075
2033 - 2037	5,125,000	2,517,100	7,642,100
2038 - 2040	8,475,000	517,300	8,992,300
Total	\$ 36,840,000	\$ 21,259,900	\$ 58,099,900

2016 General Obligation Refunding Bonds

In fiscal year 2016-17, the District issued \$69,700,000 in General Obligation Refunding Bonds. The Bonds were issued to refund a portion of the 2011 General Obligation Revenue Bonds. The Bonds require principal and interest payments through August 1, 2044. Annual interest rates for these Bonds range from 2.00% to 4.00%. The refunding transaction resulted in a net savings to the District \$44,933,865 and a present value savings to the District of \$23,198,193. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ -	\$ 2,659,600	\$ 2,659,600
2019	-	2,659,600	2,659,600
2020	-	2,659,600	2,659,600
2021	-	2,659,600	2,659,600
2022	-	2,659,600	2,659,600
2023 - 2027	-	13,298,000	13,298,000
2028 - 2032	4,095,000	13,077,100	17,172,100
2033 - 2037	14,005,000	11,239,900	25,244,900
2038 - 2042	22,720,000	7,315,950	30,035,950
2043 - 2045	27,800,000	1,655,650	29,455,650
Total	\$ 68,620,000	\$ 59,884,600	\$ 128,504,600

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

C. Certificates of Participation

A summary of the District’s certificates of participation is shown below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2016	Additions	Deductions	Outstanding June 30, 2017
July 20, 2010	June 1, 2035	3.00% - 5.00%	\$ 20,510,000	\$ 15,985,000	\$ -	\$ 735,000	\$ 15,250,000
October 1, 2012	September 1, 2023	2.54%	7,050,000	4,845,000	-	550,000	4,295,000
				\$ 20,830,000	\$ -	\$ 1,285,000	\$ 19,545,000

The annual requirements to amortize the certificates of participation are as follows:

In July 2010, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of \$20,510,000, with interest rates ranging from 3.00% to 5.00%.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 275,000	\$ 730,694	\$ 1,005,694
2019	325,000	719,694	1,044,694
2020	375,000	708,319	1,083,319
2021	425,000	694,256	1,119,256
2022	475,000	677,256	1,152,256
2023 - 2027	3,360,000	3,021,763	6,381,763
2028 - 2032	5,455,000	2,002,750	7,457,750
2033 - 2035	4,560,000	468,750	5,028,750
Total	\$ 15,250,000	\$ 9,023,482	\$ 24,273,482

In October 2012, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of \$7,050,000, with an interest rate of 2.54%. These Certificates of Participation were issued to refund the outstanding amounts of the Certificates of Participation issued in October 1998 and January 2001. The refunding transaction results in a net savings to the District of approximately \$1,300,000.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 570,000	\$ 101,854	\$ 671,854
2019	585,000	87,186	672,186
2020	600,000	72,136	672,136
2021	615,000	56,706	671,706
2022	625,000	40,958	665,958
2023 - 2024	1,300,000	33,147	1,333,147
Total	\$ 4,295,000	\$ 391,987	\$ 4,686,987

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

D. Net Pension Liability

The District’s beginning net pension liability was \$84,890,685 and increased by \$25,566,519 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$110,457,204. See Note 11 for additional information regarding the net pension liability.

E. BBVA Compass Loan

In October 2014, the District received \$5,000,000 in tax-exempt lease financing from BBVA Compass Bank. The lease was to finance a new facility maintenance and storage equipment center. The District will pay a tax-exempt fixed interest rate of 3.00% and will make semiannual principal and interest payments over 10 years. Payment obligations were as follows at June 30, 2017:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 418,000	\$ 121,170	\$ 539,170
2019	447,000	108,195	555,195
2020	478,000	94,320	572,320
2021	510,000	79,500	589,500
2022	544,000	63,690	607,690
2023 - 2025	1,851,000	85,575	1,936,575
Total	<u>\$ 4,248,000</u>	<u>\$ 552,450</u>	<u>\$ 4,800,450</u>

F. California Energy Commission Loan

The District entered into a loan agreement with the California Energy Commission (CEC). The proceeds from the loan will be used for energy efficiency projects within the District. The loan was offered with a zero percent interest rate, and the District will commence repayment once all proceeds have been received. Proceeds have been received so far in the amount of \$826,035. As of June 30, 2017, the District had an outstanding CEC loan balance of \$826,035.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable							
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 30,000
Stores inventory	-	-	-	-	-	84,438	84,438
Total non-spendable	25,000	-	-	-	-	89,438	114,438
Restricted							
Educational programs	10,532,733	-	-	-	-	790,689	11,323,422
Capital projects	-	254,220	12,183,453	-	-	9	12,437,682
Debt service	-	-	-	-	12,246,738	-	12,246,738
All others	-	-	-	-	-	1,376,345	1,376,345
Total restricted	10,532,733	254,220	12,183,453	-	12,246,738	2,167,043	37,384,187
Committed							
Adult Education	-	-	-	-	-	480,154	480,154
Deferred maintenance	-	-	-	-	-	468,736	468,736
Total committed	-	-	-	-	-	948,890	948,890
Assigned							
Special education	3,174,744	-	-	-	-	-	3,174,744
Total assigned	3,174,744	-	-	-	-	-	3,174,744
Unassigned							
Reserve for economic uncertainties	3,856,810	-	-	-	-	-	3,856,810
Remaining unassigned	5,463,921	-	-	-	-	-	5,463,921
Total unassigned	9,320,731	-	-	-	-	-	9,320,731
Total	\$ 23,053,208	\$ 254,220	\$ 12,183,453	\$ -	\$ 12,246,738	\$ 3,205,371	\$ 50,942,990

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses.

Membership of the plan as of the latest actuarial valuation consisted of the following:

Retirees and beneficiaries receiving benefits	219
Active plan members	1,068
Total*	<u>1,287</u>

Number of participating employers	1
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*As of March 1, 2016 actuarial study

Benefits provided Classified (CSEA) and Certificated (PEA) unit members who have completed at least 15 years of full-time service with the District, and are at least age 55 at retirement, and who are actively drawing retirement benefits from either PERS or STRS, are eligible to receive an additional monthly District contribution towards health insurance up to a cap that varies by tier as follows: Retiree only, \$672.00/month; Retiree +1, \$1,344.00/month; Retiree with Family, \$1,747.00/month. These caps are not automatically indexed but are subject to periodic negotiation. For purposes of the 15-year requirement, a minimum of 75% full-time equivalency is required. Management, Confidential and Supervisory employees are subject to the same rules as CSEA

Contributions The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. Participation in PEMHCA is financed in part by the District through a contribution to PEMHCA of \$125.00 per employee per month. The \$125.00 went into effect on January 1, 2016, and is scheduled by law to be indexed with medical inflation (CPI) in all future years. The indexed amount for January 1, 2017 is \$128.00, and was used in this valuation for projecting future years' statutory minimums. The District contribution for retirees is subject to the Unequal Contribution Method based on the effective date of the District's participation in PEMHCA. For 2016 the monthly contribution is 70% of \$125, or \$87.50. For 2017, the monthly contribution will be 75% of \$128, or \$96.00. The percentage of the statutory minimum for District retirees will increase by 5% per year until it reaches 100% in the year 2022. The District also pays a 0.32%-of-premium administrative fee to PEMHCA for each retiree. Furthermore, the District will make additional contributions towards certain eligible retirees' premiums until age 65 according to the District's agreements with its various employee groups.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. Investments

Investment policy. The District’s policy regarding the allocation of the plan’s invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the Moderate Objective, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2017, are listed below:

Fixed Income: Stated Range – 40-60% Actual 38%

Equity: Stated Range – 40-60% Actual 53%

Real Estate: Stated Range – 40-60% Actual 9%

Market conditions may cause the account’s asset allocation to vary from the stated range from time to time. The investment manager (assisting the District) will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

Rate of return. For the year ended June 30, 2017 the annual money-weighted rate of return on investments, net of investment expense, was 12.33 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

C. Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	\$ 32,000,958
Plan fiduciary net position	(1,762,896)
District’s net OPEB liability	\$ 30,238,062

Plan fiduciary net position as a percentage of total OPEB liability	5.51%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of March 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0 percent
Investment rate of return	5.0 percent, net of OPEB plan investment expense
Healthcare cost trend rate	8.0 percent for 2016, 7.0 percent for 2017, 6.0 percent for 2018, 5.0 percent for 2019 and later

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Net OPEB Liability of the District (continued)

Actuarial assumptions (continued)

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. Actuarial assumptions used in the March 1, 2016 valuation were based on a review of plan experience during the period March 1, 2014 to February 29, 2016.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of return of 5.0 percent.

Discount rate. The discount rate used to measure the total OPEB liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current discount rate:

	1% Decrease	Valuation	1% Increase
	(4.0%)	Discount Rate	(6.0%)
	(4.0%)	(5.0%)	(6.0%)
Net OPEB liability (asset)	\$ 33,589,503	\$ 30,238,062	\$ 27,343,294

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease	Valuation Trend	1% Increase
	(7.0%	Rate (8.0%	(9.0%
	decreasing to	decreasing to	decreasing to
	4.0%)	5.0%)	6.0%)
Net OPEB liability (asset)	\$ 28,983,047	\$ 30,238,062	\$ 31,729,939

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 3,282,308
Interest on net OPEB obligation	422,499
Adjustment to annual required contribution	<u>(549,683)</u>
Annual OPEB cost (expense)	3,155,124
Contributions made	<u>(872,968)</u>
Increase (decrease) in net OPEB obligation	2,282,156
Net OPEB obligation, beginning of the year	<u>8,449,977</u>
Net OPEB obligation, end of the year	<u>\$ 10,732,133</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2017	\$ 3,155,124	28%	\$ 10,732,133
2016	\$ 3,187,185	33%	\$ 8,449,977
2015	\$ 1,888,078	93%	\$ 6,319,867

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2016	\$ 1,207,942	\$ 26,518,155	\$ 25,310,213	5%	\$ 67,130,463	38%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	3/1/2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	29 years
Asset Valuation	Market Value
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	5.0-8.0%
Inflation rate	3.5%

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 80,823,036	\$ 19,019,657	\$ 1,971,586	\$ 8,911,362
PERS Pension	29,634,168	9,907,655	1,327,693	4,143,315
Total	<u>\$ 110,457,204</u>	<u>\$ 28,927,312</u>	<u>\$ 3,299,279</u>	<u>\$ 13,054,677</u>

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

CalSTRS 2% at 62

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$6,566,851 for the year ended June 30, 2017.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,850,736 to CalSTRS.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 80,823,036
State's proportionate share of the net pension liability associated with the District	46,017,886
Total	\$ 126,840,922

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.100 percent, which was an increase of 0.05 percent of from its proportion measured as of June 30, 2015.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$8,911,362. In addition, the District recognized pension expense and revenue of \$8,210,658 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 6,425,392	\$ -
Differences between expected and actual experience	-	1,971,586
Changes in proportion and differences between District contributions and proportionate share of contributions	6,027,414	-
District contributions subsequent to the measurement date	6,566,851	-
	<u>\$ 19,019,657</u>	<u>\$ 1,971,586</u>

The \$6,566,851 reported as 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 1,239,100	\$ 359,825
2019	1,239,100	359,825
2020	4,834,022	359,825
2021	3,508,846	359,825
2022	1,098,918	359,825
2023	532,820	172,461
	<u>\$ 12,452,806</u>	<u>\$ 1,971,586</u>

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that 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 by PCA is based on 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 for the year ended June 30, 2016 are summarized in the following table:

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

* 20-year geometric average

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 116,322,576	\$ 80,823,036	\$ 51,339,181

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$2,729,240 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$29,634,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.150 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2015.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$4,143,315. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 4,598,270	\$ -
Differences between expected and actual experience	1,274,553	-
Changes in assumptions	-	890,330
Changes in proportion and differences between District contributions and proportionate share of contributions	1,305,592	437,363
District contributions subsequent to the measurement date	2,729,240	-
	<u>\$ 9,907,655</u>	<u>\$ 1,327,693</u>

The \$2,729,240 reported as 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 1,781,637	\$ 687,277
2019	1,710,017	640,416
2020	2,486,652	-
2021	1,200,109	-
	<u>\$ 7,178,415</u>	<u>\$ 1,327,693</u>

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	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 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 44,214,344	\$ 29,634,168	\$ 17,493,302

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

C. Construction Commitments

As of June 30, 2017, the District had commitments with respect to unfinished capital projects from its various bond funds.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The Pittsburg Unified School District participates in two joint powers agreement (JPA) entities, the Contra Costa County Schools Insurance Group (CCCSIG) for workers’ compensation insurance, and the Schools’ Self Insurance of Contra Costa County (SSICCC) for dental and vision insurance.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Pittsburg Unified School District beyond the District’s representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationship between the Pittsburg Unified School District and the JPAs are such that neither of the JPAs is a component unit of the District for financial reporting purposes. The audited financial statements are generally available from the respective entities.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES

Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2017, the deferred amount on refunding was \$4,342,041.

NOTE 15 – RESTATEMENT OF FIDUCIARY NET POSITION

The District’s beginning Fiduciary Net Position was restated to record the District’s irrevocable OPEB trust as follows:

	Retiree Benefit
	Fund
Fiduciary Net Position - Beginning, as Previously Reported	\$ 553
Restatement	1,290,379
Fiduciary Net Position - Beginning, as Restated	<u>\$ 1,290,932</u>

NOTE 16 – SUBSEQUENT EVENTS

In August 2017, the District issued Series 2017 General Obligation Refunding Bonds in the amount of \$20,305,000. The proceeds of the 2017 General Obligation Refunding Bonds were used to refund portions of the Election of 2004, Series C bonds, the Election of 2006, Series A bonds, and the Election of 2006, Series B bonds, and to pay for costs of issuance of the bonds. The Bond accrues interest between 3.00% and 5.00% per annum from the date of the issuance and is payable semi-annually on February 1 and August 1 of each year through August 2034.

In August 2017, the District issued Election of 2014, Series B Bonds in the amount of \$18,000,000. The proceeds of the bonds were used to finance the acquisition and construction of educational facilities and projects and to pay for costs of issuance of the bonds. The Bond accrues interest between 3.25% and 5.00% per annum from the date of the issuance and is payable semi-annually on February 1 and August 1 of each year through August 2046.

In October 2017, the District issued 2017 Refunding Certificates of Participation in the amount of \$18,270,000. The proceeds were used to refund the District’s 2010 Certificates of Participation. The certificates accrue interest between 3.00% and 5.00% per annum from the date of the issuance, which is payable semi-annually on February 1 and August 1 of each year through June 2035.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**PITTSBURG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 106,933,249	\$ 108,765,696	\$ 109,340,551	\$ 574,855
Federal sources	5,548,875	6,577,947	4,980,962	(1,596,985)
Other state sources	10,974,350	11,577,117	12,274,117	697,000
Other local sources	3,966,468	4,411,589	4,912,038	500,449
Total Revenues	127,422,942	131,332,349	131,507,668	175,319
EXPENDITURES				
Certificated salaries	51,234,267	52,131,813	53,023,791	(891,978)
Classified salaries	17,018,508	16,966,433	18,045,874	(1,079,441)
Employee benefits	29,594,263	30,218,387	30,628,270	(409,883)
Books and supplies	7,038,240	11,705,940	6,945,622	4,760,318
Services and other operating expenditures	17,183,324	19,999,400	17,031,673	2,967,727
Capital outlay	1,069,690	1,039,750	556,795	482,955
Other outgo				
Excluding transfers of indirect costs	1,958,445	1,958,445	2,565,903	(607,458)
Transfers of indirect costs	(528,499)	(529,949)	(237,659)	(292,290)
Total Expenditures	124,568,238	133,490,219	128,560,269	4,929,950
Excess (Deficiency) of Revenues				
Over Expenditures	2,854,704	(2,157,870)	2,947,399	5,105,269
Other Financing Sources (Uses)				
Transfers out	(355,221)	(355,221)	(355,221)	-
Net Financing Sources (Uses)	(355,221)	(355,221)	(355,221)	-
NET CHANGE IN FUND BALANCE	2,499,483	(2,513,091)	2,592,178	5,105,269
Fund Balance - Beginning	10,242,146	20,461,030	20,461,030	-
Fund Balance - Ending	\$ 12,741,629	\$ 17,947,939	\$ 23,053,208	\$ 5,105,269

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Reclassifying journal entries are not included on the schedule.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	<u>June 30, 2017</u>
Total OPEB Liability	
Service Cost	\$ 1,482,854
Interest on total OPEB liability	1,483,328
Benefits payments	<u>(1,248,331)</u>
Net change in total OPEB liability	1,717,851
Total OPEB liability - beginning	<u>30,283,107</u>
Total OPEB liability - ending (a)	<u>\$ 32,000,958</u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,548,331
Net investment income	192,079
Benefit payments	(1,248,331)
Administrative expenses	<u>(19,562)</u>
Net change in plan fiduciary net position	472,517
Plan fiduciary net position - beginning	<u>1,290,379</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,762,896</u>
 District's net OPEB liability - ending (a) - (b)	 <u>\$ 30,238,062</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 5.51%
 Covered payroll	 \$ 52,917,982
 District's net OPEB liability (asset) as a percentage of covered payroll	 57.14%

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>
Actuarially determined contribution	\$ 3,282,308
Contributions in relation to the actuarially determined contribution	<u>(1,548,331)</u>
Contribution deficiency (excess)	<u>\$ 1,733,977</u>
Covered payroll	\$ 71,786,221
Contributions as a percentage of covered payroll	2.2%

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INVESTMENT RETURNS - OPEB
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	12.33%

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2016	\$ 1,207,942	\$ 26,518,155	\$ 25,310,213	5%	\$ 67,130,463	38%
March 1, 2014	\$ 776,934	\$ 17,168,569	\$ 16,391,635	5%	\$ 58,623,628	28%
March 1, 2012	\$ 662,307	\$ 17,186,957	\$ 16,524,650	4%	\$ 53,742,758	31%

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.100%	0.095%	0.089%
District's proportionate share of the net pension liability	\$ 80,823,036	\$ 63,759,740	\$ 52,243,661
State's proportionate share of the net pension liability associated with the District	46,017,886	33,721,783	31,546,978
Total	<u>\$ 126,840,922</u>	<u>\$ 97,481,523</u>	<u>\$ 83,790,639</u>
District's covered payroll	\$ 52,131,630	\$ 48,714,874	\$ 44,778,768
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.0%	130.9%	116.7%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

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PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALPERS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.150%	0.143%	0.136%
District's proportionate share of the net pension liability	\$ 29,634,168	\$ 21,130,945	\$ 15,493,491
District's covered payroll	\$ 19,654,591	\$ 18,415,589	\$ 15,861,278
District's proportionate share of the net pension liability as a percentage of its covered payroll	150.8%	114.7%	97.7%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,566,851	\$ 5,195,606	\$ 3,986,192
Contributions in relation to the contractually required contribution*	(6,566,851)	(5,195,606)	(3,986,192)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 52,131,630	\$ 48,714,874	\$ 44,778,768
Contributions as a percentage of covered payroll	12.60%	10.67%	8.90%

*Amounts do not include on behalf contributions

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,729,240	\$ 2,148,122	\$ 1,920,480
Contributions in relation to the contractually required contribution	(2,729,240)	(2,148,122)	(1,920,480)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,654,591	\$ 18,415,589	\$ 15,861,278
Contributions as a percentage of covered payroll	13.89%	11.66%	12.11%

See accompanying note to required supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

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 District's Net OPEB Liability

This 10-year schedule is required by GASB Statement No. 74 for all single-employer and cost-sharing other postemployment benefits (OPEB) plans. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 74 was applicable. The schedule presents the sources of changes in the net OPEB liability, information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of the covered payroll.

Schedule of District Contributions – OPEB

This 10-year schedule is required by GASB Statement No. 74 for employers or non-employer contributing entities in a single-employer or cost-sharing OPEB plan for which an actuarially determined contribution is calculated. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 74 was applicable. The schedule presents information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios.

Schedule of Investment Returns – OPEB

This 10-year schedule is required by GASB Statement No. 74 for all defined benefit OPEB plans. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 74 was applicable. The schedule presents the annual money-weighted rate of return on OPEB plan investments for each year.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – PURPOSE OF SCHEDULES (CONTINUED)

Schedule of the District’s 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 District Contributions

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, 2017, 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			
Certificated salaries	\$ 52,131,813	\$ 53,023,791	\$ 891,978
Classified salaries	\$ 16,966,433	\$ 18,045,874	\$ 1,079,441
Employee benefits	\$ 30,218,387	\$ 30,628,270	\$ 409,883
Other outgo			
Excluding transfers of indirect costs	\$ 1,958,445	\$ 2,565,903	\$ 607,458

**SUPPLEMENTARY
INFORMATION**

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education	84.010	14329	\$ 1,868,708
Adult Education: Adult Basic Education & ESL	84.002A	14508	190,409
Adult Education: Adult Secondary Education	84.002	13978	108,856
Adult Education: English Literacy and Civics Education	84.002A	14109	56,934
Subtotal Adult Education			356,199
Title II, Part A, Teacher Quality	84.367	14341	411,216
Title III			
Title III, English Learner Student Program	84.365	14346	194,296
Title III, Immigrant Education Program	84.365	15146	17,717
Subtotal Title III			212,013
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	98,838
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,716,018
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	122,820
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	38,731
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE3-4-5)	84.027A	13682	179,806
Subtotal Special Education Cluster			2,057,375
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	142,724
Total U. S. Department of Education			5,147,073
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	76
School Breakfast Program - Needy	10.553	13526	1,041,554
National School Lunch Program	10.555	13391	2,814,995
USDA Commodities	10.555	*	306,454
Meal Supplements	10.555	*	154,093
Subtotal Child Nutrition Cluster			4,317,172
CACFP Claims - Centers and Family Day Care	10.558	13393	760,997
Local Food Promotion Program Grant	10.172	*	46,981
Total U. S. Department of Agriculture			5,125,150
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Child Development Family Child Care Home	93.596	13609	51,929
Teen Pregnancy Prevention Grant	93.297	*	24,950
<i>Passed through Contra Costa County Employment and Human Services</i>			
Temporary Assistance for Needy Families	93.558	*	66,475
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Billing Option	93.778	10013	102,770
Medi-Cal Administrative Activities	93.778	10060	142,904
Subtotal Medicaid			245,674
Total U. S. Department of Health & Human Services			389,028
Total Federal Expenditures			\$ 10,661,251

* - Pass-Through Entity Identifying Number not available or not applicable

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	3,300.85	3,306.02
Extended Year Special Education	4.63	4.63
Special Education - Nonpublic Schools	4.54	4.67
Extended Year Special Education - Nonpublic Schools	0.57	0.64
Total TK/K through Third	3,310.59	3,315.96
Fourth through Sixth		
Regular ADA	2,443.77	2,437.45
Extended Year Special Education	2.61	2.61
Special Education - Nonpublic Schools	5.35	5.46
Extended Year Special Education - Nonpublic Schools	0.55	0.77
Total Fourth through Sixth	2,452.28	2,446.29
Seventh through Eighth		
Regular ADA	1,670.77	1,665.95
Extended Year Special Education	1.81	1.81
Special Education - Nonpublic Schools	7.20	7.14
Extended Year Special Education - Nonpublic Schools	0.37	0.47
Total Seventh through Eighth	1,680.15	1,675.37
Ninth through Twelfth		
Regular ADA	3,409.03	3,375.80
Extended Year Special Education	3.85	3.85
Special Education - Nonpublic Schools	10.90	10.98
Extended Year Special Education - Nonpublic Schools	1.06	1.46
Total Ninth through Twelfth	3,424.84	3,392.09
TOTAL SCHOOL DISTRICT	10,867.86	10,829.71

**PITTSBURG UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	Minutes Requirement	2016-17	Number of Days	Status
		Actual Minutes		
Kindergarten	36,000	37,800	180	Complied
Grade 1	50,400	52,810	180	Complied
Grade 2	50,400	52,810	180	Complied
Grade 3	50,400	52,810	180	Complied
Grade 4	54,000	54,810	180	Complied
Grade 5	54,000	54,810	180	Complied
Grade 6	54,000	54,799	180	Complied
Grade 7	54,000	54,799	180	Complied
Grade 8	54,000	54,799	180	Complied
Grade 9	64,800	66,432	180	Complied
Grade 10	64,800	66,432	180	Complied
Grade 11	64,800	66,432	180	Complied
Grade 12	64,800	66,432	180	Complied

**PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	2018 (Budget)	2017	2016	2015
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 135,108,939	\$ 131,507,668	\$ 126,067,423	\$ 106,194,730
Expenditures And Other Financing Uses	138,897,014	128,915,490	115,849,301	109,357,463
Net change in Fund Balance	\$ (3,788,075)	\$ 2,592,178	\$ 10,218,122	\$ (3,162,733)
Ending Fund Balance	\$ 19,265,133	\$ 23,053,208	\$ 20,461,030	\$ 10,242,147
Available Reserves*	\$ 6,879,362	\$ 9,320,731	\$ 9,540,388	\$ 6,655,272
Available Reserves As A Percentage Of Outgo	4.95%	7.23%	8.24%	6.09%
Long-term Debt	\$ 399,844,867	\$ 406,519,418	\$ 352,353,927	\$ 340,900,961
Average Daily Attendance At P-2	11,076	10,868	10,561	10,423

The General Fund balance has increased by \$12,811,061 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$3,788,075. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by \$65,618,457 over the past two years.

Average daily attendance has increased by 445 ADA over the past two years. A further increase of 208 ADA is anticipated during the 2017-18 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Reclassifying journal entries are not included on this schedule.

**PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Retiree Benefits Fund
June 30, 2017, annual financial and budget report fund balance	\$ 558
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
To record OPEB trust	1,762,896
Net adjustments and reclassifications	<u>1,762,896</u>
June 30, 2017, audited financial statement fund balance	<u>\$ 1,763,454</u>

**PITTSBURG UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2017**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS						
Cash and investments	\$ 5,000	\$ -	\$ 830,347	\$ 468,736	\$ 9	\$ 1,304,092
Accounts receivable	1,263,691	281,170	841,610	-	-	2,386,471
Stores inventory	-	-	84,438	-	-	84,438
Total Assets	\$ 1,268,691	\$ 281,170	\$ 1,756,395	\$ 468,736	\$ 9	\$ 3,775,001
LIABILITIES						
Deficit cash	\$ 61,907	\$ 19,107	\$ -	\$ -	\$ -	\$ 81,014
Accrued liabilities	191,630	1,374	159,390	-	-	352,394
Due to other funds	-	-	136,222	-	-	136,222
Total Liabilities	253,537	20,481	295,612	-	-	569,630
FUND BALANCES						
Non-spendable	5,000	-	84,438	-	-	89,438
Restricted	530,000	260,689	1,376,345	-	9	2,167,043
Committed	480,154	-	-	468,736	-	948,890
Total Fund Balances	1,015,154	260,689	1,460,783	468,736	9	3,205,371
Total Liabilities and Fund Balance	\$ 1,268,691	\$ 281,170	\$ 1,756,395	\$ 468,736	\$ 9	\$ 3,775,001

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES						
LCFF sources	\$ -	\$ -	\$ -	\$ 355,221	\$ -	\$ 355,221
Federal sources	568,487	51,929	5,125,150	-	-	5,745,566
Other state sources	2,647,852	1,480,224	309,036	-	-	4,437,112
Other local sources	173,236	1,898	434,315	1,263	9	610,721
Total Revenues	3,389,575	1,534,051	5,868,501	356,484	9	11,148,620
EXPENDITURES						
Current						
Instruction	2,340,626	1,065,585	-	-	-	3,406,211
Instruction-related services						
School site administration	743,900	369,779	-	-	-	1,113,679
Pupil services						
Food services	-	19,759	5,752,199	-	-	5,771,958
General administration						
All other general administration	75,775	28,434	133,450	-	-	237,659
Plant services	192,415	9,400	-	148,401	-	350,216
Total Expenditures	3,352,716	1,492,957	5,885,649	148,401	-	10,879,723
NET CHANGE IN FUND BALANCE	36,859	41,094	(17,148)	208,083	9	268,897
Fund Balance - Beginning	978,295	219,595	1,477,931	260,653	-	2,936,474
Fund Balance - Ending	\$ 1,015,154	\$ 260,689	\$ 1,460,783	\$ 468,736	\$ 9	\$ 3,205,371

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2017**

The Pittsburg Unified School District was established in 1933, and is located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District is currently operating eight elementary schools, three middle schools, one high school and one continuation high school.

GOVERNING BOARD

Member	Office	Term Expires
Mr. De'Shawn Woolridge	President	December 2018
Dr. Laura Canciamilla	Vice President	December 2020
Mr. Duane Smith	Trustee	December 2018
Mr. George Miller	Trustee	December 2020
Mr. Joseph Arenivar	Trustee	December 2018

DISTRICT ADMINISTRATORS

Dr. Janet Schulze
Superintendent

Mr. Enrique Palacios
Deputy Superintendent

Ms. Norma Gonzales
Assistant Superintendent of Human Resources

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2017 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2017.

	CFDA	
	Number	Amount
		<hr/>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 10,726,528
Medi-Cal Billing Option	93.778	<u>(65,277)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$10,661,251</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, the District had not yet met its target funding.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2017

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.

Combining Statements – Non-Major Funds

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

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.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pittsburg Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

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

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

SAN DIEGO
LOS ANGELES
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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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2017-001)

Compliance and Other Matters

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

Pittsburg Unified School District's Response to Findings

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

Purpose of this Report

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



San Diego, California
December 14, 2017

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

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

Report on Compliance for Each Major Federal Program

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pittsburg Unified School District's major federal programs for the year ended June 30, 2017. Pittsburg Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pittsburg Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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Opinion on Each Major Federal Program

In our opinion, Pittsburg 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, 2017.

Report on Internal Control Over Compliance

Management of Pittsburg Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pittsburg Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pittsburg Unified School District's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 14, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Pittsburg Unified School District
Pittsburg, California

Report on State Compliance

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Pittsburg Unified School District's state programs for the fiscal year ended June 30, 2017, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pittsburg Unified School 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 the *2016-17 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 state programs noted below occurred. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on State Compliance

In our opinion, Pittsburg 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, 2017.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Pittsburg 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	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for Independent Study, because the ADA was below the threshold required for testing.

Christy White Associates

San Diego, California
December 14, 2017

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A	Special Education Cluster
10.558	CACFP Claims - Centers and Family Day Care

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**PITTSBURG UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2017-001: ASSOCIATED STUDENT BODY FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts and cash disbursements reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: The following discrepancies were noted through testing of ASB cash receipts and disbursements at Rancho Medanos Junior High School:

- 4 of 10 cash receipts tested did not have adequate supporting documentation to reconcile the sales to the amounts deposited.
- 3 of 10 cash receipts tested were not deposited timely.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Recommendation: We recommend that cash receipts have adequate supporting documentation to reconcile the sales to the amounts deposited. Additionally, deposits should be made on a timely basis.

District Response: The District arranged a FCMAT-led ASB training to all ASB Advisors, Principals, and Secretaries in the fall of 2017. This training was mandatory and covered all critical aspects of ASB regulations. Additionally, the district courier now takes deposits from all schools to the bank daily and/or weekly, as needed, to ensure timely deposits.

PITTSBURG UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no Federal award findings and questioned costs for the year ended June 30, 2017.

**PITTSBURG UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
CalSTRS
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Teacher Misassignments
School Accountability Report Card

There were no State award findings and questioned costs for the year ended June 30, 2017.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-1: YEAR-END ADJUSTMENTS (30000)

Criteria: Internal controls over year-end adjustments are important to ensure that the District's financial statements are free of material misstatement.

Condition: During testing of the District's unaudited actuals, adjustments had to be made in order to properly state revenue and accounts receivable. The District was not properly accounting for some categorical programs.

Cause: Lack of oversight over District accounting.

Effect: Risk of material misstatement.

Recommendation: Sound internal controls and oversight should be put into place to review all activity recorded in the District's accounting records.

District Response: In closing future fiscal years, District staff will thoroughly review revenue received and ensure it is recorded in the proper fiscal year.

Current Status: Implemented.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING#2016-2: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of 2014-15 SARCs posted in 2015-16, an issue was noted regarding facilities conditions at Martin Luther King Jr. Junior High School. The SARC stated that the interior was "Good", while the FIT form stated that the interior was "Fair".

Cause: Clerical error in posting the SARC.

Questioned Costs: Not applicable.

Effect: One SARC selected for testing was not accurate.

Recommendation: We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs.

District Response: The District will initiate a new system to ensure the School Accountability Report Card is accurate. First, the site will complete the Facility Inspections Tool (herein FIT). Upon completion of the FIT, Site Administrators will use results from the FIT to inform the School Accountability Report Card (herein SARC). The site will then submit the SARC to Educational Services. Educational Services will review all reports for accuracy and the Director will submit the final documents to the County Office of Education.

Current Status: Implemented.

**PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-3: ATTENDANCE REPORTING (10000)

Criteria: The Annual Attendance Report should tie to supporting documentation per Education Code Section 41601. Auditors are required to verify compliance in Section A of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: The District's Annual Attendance Report did not match supporting documentation due to Extended Year Special Education being counted on both lines A-2 and A-4. The ADA was overstated by 12.67, and discrepancies by Grade Span on line A-4 are as follows:

- Grades TK-3 – amount reported was 6.80, should have been 1.22, overstatement of 5.58 ADA
- Grades 4-6 - amount reported was 3.12, should have been 1.04, overstatement of 2.08 ADA
- Grades 7-8 - amount reported was 2.11, should have been 0.89, overstatement of 1.22 ADA
- Grades 9-12 - amount reported was 5.71, should have been 1.92, overstatement of 3.79 ADA

Cause: Discrepancy was due to clerical errors.

Effect: Misstatement of ADA on the Annual attendance report.

ADA Impact: The District's Annual Attendance Report was overstated by 12.67 ADA. Grades TK-3 was overstated by 5.58 ADA, grades 4-6 was overstated by 2.08 ADA, grades 7-8 was overstated by 1.22 ADA, grades 9-12 was overstated by 3.79 ADA.

Questioned Cost: None, since the District is not funded on Annual Attendance

Recommendation: We recommend implementation of internal controls to ensure accuracy of attendance reporting.

District Response: The District has already taken steps to remedy the accuracy of the Annual Attendance Reports and additionally has implemented internal controls to ensure the reliability of these reports moving forward. The process begins with the Coordinator of Student Data who generates initial reports and checks for accuracy. Reports are sent to site Administrators who verify and ensure the accuracy of their site report and resubmit information back to the Coordinator who makes necessary adjustments and submits the completed report to the Director of Educational Services and then the Finance Director. After reviewing and verifying report information, the Finance Director submits the report to the Deputy Superintendent and Superintendent for final review and approval. This process will ensure accuracy in District reports moving forward.

Current Status: Implemented.