PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates

A PROFESSIONAL
ACCOUNTANCY CORPORATION

FINANCIAL SECTION

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SUPPLEMENTARY INFORMATION

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FINANCIAL SECTION

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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, 2018, 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.

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, 2018, 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.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Pittsburg Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedule of District contributions and investment returns for OPEB, 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 12, 2018 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 the effectiveness of Pittsburg Unified School District's 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 12, 2018

PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

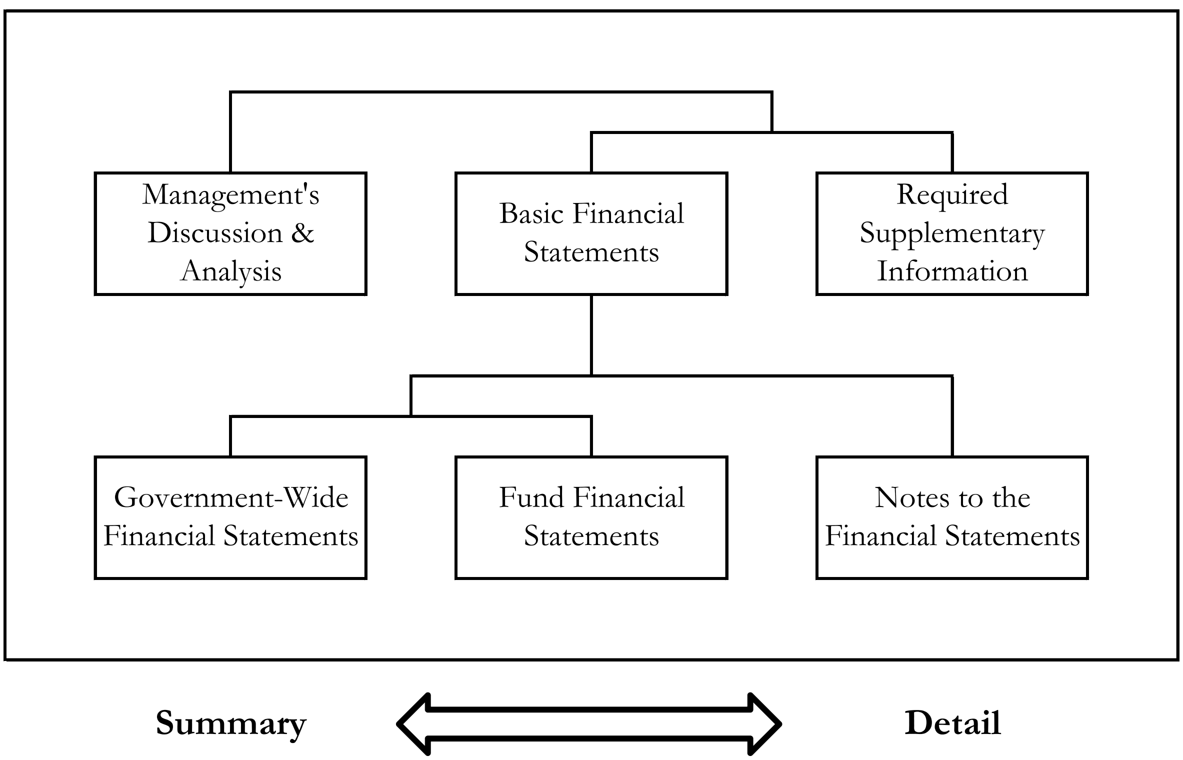
Our discussion and analysis of Pittsburg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $(22,652,106) at June 30, 2018. This was a decrease of $10,239,039 from the prior year after restatement.
- Overall revenues were $168,065,487 which was exceeded by expenses of $178,304,526.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

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

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

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

  - **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.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $(22,652,106) at June 30, 2018, as reflected in the table below. Of this amount, $(115,537,487) 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		
	2018	**2017**	**Net Change**
ASSETS			
Current and other assets	$ 66,176,179	$ 56,530,240	$ 9,645,939
Capital assets	343,190,251	337,068,649	6,121,602
Total Assets	409,366,430	393,598,889	15,767,541
DEFERRED OUTFLOWS OF RESOURCES	47,572,749	33,269,353	14,303,396
LIABILITIES			
Current liabilities	19,530,614	16,631,234	2,899,380
Long-term liabilities	451,936,317	399,844,867	52,091,450
Total Liabilities	471,466,931	416,476,101	54,990,830
DEFERRED INFLOWS OF RESOURCES	8,124,354	3,299,279	4,825,075
NET POSITION			
Net investment in capital assets	58,130,971	60,216,236	(2,085,265)
Restricted	34,754,410	33,014,842	1,739,568
Unrestricted	(115,537,487)	(86,138,216)	(29,399,271)
Total Net Position	$ (22,652,106)	$ 7,092,862	$ (29,744,968)

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 that you can see the total revenues and expenses for the year.

	Governmental Activities		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	$ 426,543	$ 392,666	$ 33,877
Operating grants and contributions	25,251,016	31,315,253	(6,064,237)
Capital grants and contributions	3,294,758	-	3,294,758
General revenues			
Property taxes	38,159,345	40,999,536	(2,840,191)
Unrestricted federal and state aid	98,638,209	97,843,733	794,476
Other	2,295,616	4,760,226	(2,464,610)
Total Revenues	168,065,487	175,311,414	(7,245,927)
EXPENSES			
Instruction	88,490,266	89,675,320	(1,185,054)
Instruction-related services	18,142,984	18,076,503	66,481
Pupil services	19,511,583	17,012,336	2,499,247
General administration	7,318,386	7,568,803	(250,417)
Plant services	15,912,711	14,586,909	1,325,802
Ancillary and community services	1,370,106	1,161,726	208,380
Debt service	9,925,419	43,780,595	(33,855,176)
Other outgo	3,560,576	2,565,903	994,673
Depreciation	14,072,495	14,194,413	(121,918)
Total Expenses	178,304,526	208,622,508	(30,317,982)
Change in net position	(10,239,039)	(33,311,094)	23,072,055
Net Position - Beginning, as Restated*	(12,413,067)	40,403,956	(52,817,023)
Net Position - Ending	$ (22,652,106)	$ 7,092,862	$ (29,744,968)

** Beginning Net Position was restated for the 2018 year only*

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2018	**2017**
Instruction	$ 73,127,965	$ 70,332,233
Instruction-related services	15,538,263	14,959,833
Pupil services	11,865,308	8,965,655
General administration	6,839,594	7,121,240
Plant services	13,610,315	14,390,262
Ancillary and community services	1,353,247	1,150,966
Debt service	9,925,419	43,780,595
Transfers to other agencies	2,999,603	2,019,392
Depreciation	14,072,495	14,194,413
Total Expenses	$ 149,332,209	$ 176,914,589

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 $56,694,545, which is more than the beginning fund balance of $50,688,682. The District's General Fund had $1,977,341 less in operating revenues than expenditures for the year ended June 30, 2018. In addition, the District's Capital Facilities Fund showed a net increase in fund balance of $3,132,203 during the year ended June 30, 2018. The District's Bond Interest and Redemption Fund had $1,706,334 more in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018, the District had invested $343,190,251 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 1,473,363	$ 1,473,363	$ -
Construction in progress	41,014,716	39,232,489	1,782,227
Land improvements	17,624,207	17,624,207	-
Buildings & improvements	418,446,883	402,360,667	16,086,216
Furniture & equipment	9,995,291	7,669,637	2,325,654
Accumulated depreciation	(145,364,209)	(131,291,714)	(14,072,495)
Total Capital Assets	$ 343,190,251	$ 337,068,649	$ 6,121,602

Long-Term Debt

At year-end, the District had $451,936,317 in long-term debt, an increase of 13% from the prior year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 273,748,770	$ 259,846,134	$ 13,902,636
Total certificates of participation	22,917,159	19,545,000	3,372,159
Energy loan	826,035	826,035	-
Compensated absences	1,000,349	864,912	135,437
BBVA Compass loan	3,830,000	4,248,000	(418,000)
Net OPEB liability*	33,374,447	10,732,133	22,642,314
Net pension liability	122,613,868	110,457,204	12,156,664
Less: current portion of long-term debt	(6,374,311)	(6,674,551)	300,240
Total Long-term Liabilities	$ 451,936,317	$ 399,844,867	$ 52,091,450

**Total OPEB liability was restated as of July 1, 2017 in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, which supersedes GASB Statement No. 45 for the year ended June 30, 2018*

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.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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.

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, 2018. 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 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

		Governmental Activities
ASSETS		
Cash and investments	$	54,494,817
Accounts receivable		11,630,769
Inventory		50,593
Capital assets, not depreciated		42,488,079
Capital assets, net of accumulated depreciation		300,702,172
Total Assets		409,366,430
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		42,374,026
Deferred outflows related to OPEB		1,066,667
Deferred amount on refunding		4,132,056
Total Deferred Outflows of Resources		47,572,749
LIABILITIES		
Accrued liabilities		9,990,373
Unearned revenue		3,165,930
Long-term liabilities, current portion		6,374,311
Long-term liabilities, non-current portion		451,936,317
Total Liabilities		471,466,931
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		8,109,308
Deferred inflows related to OPEB		15,046
Total Deferred Inflows of Resources		8,124,354
NET POSITION		
Net investment in capital assets		58,130,971
Restricted:		
Capital projects		15,336,097
Debt service		10,278,403
Educational programs		7,938,871
All others		1,201,039
Unrestricted		(115,537,487)
Total Net Position	$	(22,652,106)

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

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 88,490,266	$ 18,078	$ 12,049,465	$ 3,294,758	$ (73,127,965)
Instruction-related services					
Instructional supervision and administration	5,008,388	5,316	918,290	-	(4,084,782)
Instructional library, media, and technology	1,007,458	106	112,985	-	(894,367)
School site administration	12,127,138	1,925	1,566,099	-	(10,559,114)
Pupil services					
Home-to-school transportation	2,086,749	3,076	36,509	-	(2,047,164)
Food services	6,459,707	345,834	5,358,949	-	(754,924)
All other pupil services	10,965,127	3,866	1,898,041	-	(9,063,220)
General administration					
Centralized data processing	1,528,461	316	1,091	-	(1,527,054)
All other general administration	5,789,925	11,901	465,484	-	(5,312,540)
Plant services	15,912,711	5,564	2,296,832	-	(13,610,315)
Ancillary services	1,107,306	-	16,859	-	(1,090,447)
Community services	262,800	-	-	-	(262,800)
Interest on long-term debt	9,925,419	-	-	-	(9,925,419)
Other outgo	3,560,576	30,561	530,412	-	(2,999,603)
Depreciation (unallocated)	14,072,495	-	-	-	(14,072,495)
Total Governmental Activities	$ 178,304,526	$ 426,543	$ 25,251,016	$ 3,294,758	(149,332,209)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					17,731,120
Property taxes, levied for debt service					15,053,781
Property taxes, levied for other specific purposes					5,374,444
Federal and state aid not restricted for specific purposes					98,638,209
Interest and investment earnings					736,914
Miscellaneous					1,558,702
Subtotal, General Revenue					139,093,170
CHANGE IN NET POSITION					(10,239,039)
Net Position - Beginning, as Restated					(12,413,067)
Net Position - Ending					$ (22,652,106)

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

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 19,167,525	$ 15,363,517	$ 13,953,072	$ 6,010,703	$ 54,494,817
Accounts receivable	10,052,601	-	-	1,578,168	11,630,769
Stores inventory	-	-	-	50,593	50,593
Total Assets	$ 29,220,126	$ 15,363,517	$ 13,953,072	$ 7,639,464	$ 66,176,179
LIABILITIES					
Accrued liabilities	$ 5,372,889	$ 47,861	$ -	$ 894,954	$ 6,315,704
Unearned revenue	2,867,581	-	-	298,349	3,165,930
Total Liabilities	8,240,470	47,861	-	1,193,303	9,481,634
FUND BALANCES					
Nonspendable	25,000	-	-	55,593	80,593
Restricted	7,532,390	15,315,656	13,953,072	5,280,318	42,081,436
Committed	-	-	-	1,110,250	1,110,250
Unassigned	13,422,266	-	-	-	13,422,266
Total Fund Balances	20,979,656	15,315,656	13,953,072	6,446,161	56,694,545
Total Liabilities and Fund Balances	$ 29,220,126	$ 15,363,517	$ 13,953,072	$ 7,639,464	$ 66,176,179

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, 2018

Total Fund Balance - Governmental Funds		$ 56,694,545
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	$ 488,554,460	
Accumulated depreciation	(145,364,209)	343,190,251
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:		4,132,056
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(3,674,669)
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	$ 273,748,770	
Total certificates of participation	22,917,159	
Energy loan	826,035	
Compensated absences	1,000,349	
BBVA Compass loan	3,830,000	
Net OPEB liability	33,374,447	
Net pension liability	122,613,868	(458,310,628)
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	$ 42,374,026	
Deferred inflows of resources related to pensions	(8,109,308)	34,264,718
Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 1,066,667	
Deferred inflows of resources related to OPEB	(15,046)	1,051,621
Total Net Position - Governmental Activities		$ (22,652,106)

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, 2018

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 112,174,964	$ -	$ -	$ 355,221	$ 112,530,185
Federal sources	5,183,185	-	-	5,797,290	10,980,475
Other state sources	13,423,157	-	70,466	8,443,274	21,936,897
Other local sources	4,994,873	4,545,540	15,118,594	888,989	25,547,996
Total Revenues	135,776,179	4,545,540	15,189,060	15,484,774	170,995,553
EXPENDITURES					
Current					
Instruction	84,608,824	-	-	3,532,264	88,141,088
Instruction-related services					
Instructional supervision and administration	4,796,749	-	-	-	4,796,749
Instructional library, media, and technology	935,863	-	-	-	935,863
School site administration	10,490,384	-	-	1,201,649	11,692,033
Pupil services					
Home-to-school transportation	2,011,095	-	-	-	2,011,095
Food services	1,016	-	-	6,361,281	6,362,297
All other pupil services	10,771,532	-	-	-	10,771,532
General administration					
Centralized data processing	1,456,725	-	-	-	1,456,725
All other general administration	5,293,447	30,823	-	276,376	5,600,646
Plant services	12,916,527	-	-	403,624	13,320,151
Facilities acquisition and maintenance	75,837	3,057,697	-	18,564,913	21,698,447
Ancillary services	1,097,732	-	-	-	1,097,732
Community services	245,661	-	-	-	245,661
Transfers to other agencies	3,052,128	-	-	-	3,052,128
Debt service					
Principal	-	1,603,000	4,740,000	-	6,343,000
Interest and other	-	1,278,976	8,742,726	508,448	10,530,150
Total Expenditures	137,753,520	5,970,496	13,482,726	30,848,555	188,055,297
Excess (Deficiency) of Revenues					
Over Expenditures	(1,977,341)	(1,424,956)	1,706,334	(15,363,781)	(17,059,744)
Other Financing Sources (Uses)					
Transfers in	-	-	-	3,368,319	3,368,319
Other sources	-	19,807,159	-	40,313,448	60,120,607
Transfers out	(96,211)	-	-	(3,272,108)	(3,368,319)
Other uses	-	(15,250,000)	-	(21,805,000)	(37,055,000)
Net Financing Sources (Uses)	(96,211)	4,557,159	-	18,604,659	23,065,607
NET CHANGE IN FUND BALANCE	(2,073,552)	3,132,203	1,706,334	3,240,878	6,005,863
Fund Balance - Beginning	23,053,208	12,183,453	12,246,738	3,205,283	50,688,682
Fund Balance - Ending	$ 20,979,656	$ 15,315,656	$ 13,953,072	$ 6,446,161	$ 56,694,545

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, 2018

Net Change in Fund Balances - Governmental Funds		$ 6,005,863
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:	$ 20,194,097	
Depreciation expense:	(14,072,495)	6,121,602
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:		43,398,000
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:		(60,120,607)
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)
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:		440,456
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.		(805,741)
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:		(135,437)

(continued on the following page)

Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	(2,084,764)
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:	(3,519,979)
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:	671,553
Change in Net Position of Governmental Activities	$ (10,239,039)

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

PITTSBURG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Trust Funds		Agency Fund
	Retiree Benefit Fund	Private-Purpose Trust Fund	Student Body Fund
ASSETS			
Cash and investments	$ 1,870,411	$ 127,169	$ 450,577
Total Assets	1,870,411	127,169	$ 450,577
LIABILITIES			
Accrued liabilities	$ -	$ 500	$ -
Due to student groups	-	-	450,577
Total Liabilities	-	500	$ 450,577
NET POSITION			
Restricted for postemployment benefits other than pensions	1,869,848	-	
Restricted - other	563	126,669	
Total Net Position	$ 1,870,411	$ 126,669	

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, 2018

	Trust Funds	
	Retiree Benefit Fund	Private-Purpose Trust Fund
ADDITIONS		
Contributions	$ 1,132,203	$ -
Investment earnings	128,685	1,695
Other	-	25,100
Total Additions	1,260,888	26,795
DEDUCTIONS		
Benefit payments	1,132,203	-
Other trust activities	21,728	25,450
Total Deductions	1,153,931	25,450
CHANGE IN NET POSITION	106,957	1,345
Net Position - Beginning	1,763,454	125,324
Net Position - Ending	$ 1,870,411	$ 126,669

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

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.

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.

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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).

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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).

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).

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.).

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).

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.

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:

Asset Class	Estimated Useful Life
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.

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.

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)

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	March 1, 2016
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in net OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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.

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)

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.

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.

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)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

J. New Accounting Pronouncements

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 implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 50,870,934	$ 127,732
Cash on hand and in banks	2,500	450,577
Cash with fiscal agent	3,555,342	-
Cash in revolving fund	30,000	-
Local agency investment fund	36,041	-
Futuris OPEB trust	-	1,869,848
Total cash and investments	$ 54,494,817	$ 2,448,157

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.

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).

Cash with Fiscal Agent – The District has deposited amounts with escrow agents for the purpose of making debt service payments related to Certificates of Participation debt in the Capital Facilities Fund.

Futuris OPEB Trust – The District has established the Futuris Public Entity Investment Trust account under IRS Section 115. The amounts deposited in the trust are irrevocable and designated for the purpose of investment and disbursement of payments related to obligations to eligible employees under the District's OPEB plan.

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.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	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 $50,944,326 and an amortized book value of $50,998,666. The average weighted maturity for this pool is 167 days.

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, 2018, 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, 2018, 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 and Local Agency Investment Fund 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.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Fair Value (continued)

The District's fair value measurements at June 30, 2018 were as follows:

	Quoted Prices Level 1	Uncategorized	Total
Investment in county treasury	$ -	$ 50,944,326	$ 50,944,326
Local agency investment fund	-	36,041	36,041
Futuris OPEB trust	1,869,848	-	1,869,848
Total fair market value of investments	$ 1,869,848	$ 50,980,367	$ 52,850,215

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	$ 3,178,817	$ 909,849	$ 4,088,666
State Government			
Apportionment	5,903,690	-	5,903,690
Categorical aid	628,931	481,439	1,110,370
Lottery	337,676	-	337,676
Local Government			
Other local sources	3,487	186,880	190,367
Total	$ 10,052,601	$ 1,578,168	$ 11,630,769

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,473,363	$ -	$ -	$ 1,473,363
Construction in progress	39,232,489	19,465,530	17,683,303	41,014,716
Total Capital Assets not Being Depreciated	40,705,852	19,465,530	17,683,303	42,488,079
Capital assets being depreciated				
Land improvements	17,624,207	-	-	17,624,207
Buildings & improvements	402,360,667	16,086,216	-	418,446,883
Furniture & equipment	7,669,637	2,325,654	-	9,995,291
Total Capital Assets Being Depreciated	427,654,511	18,411,870	-	446,066,381
Less Accumulated Depreciation				
Land improvements	15,970,649	201,071	-	16,171,720
Buildings & improvements	109,812,343	13,692,961	-	123,505,304
Furniture & equipment	5,508,722	178,463	-	5,687,185
Total Accumulated Depreciation	131,291,714	14,072,495	-	145,364,209
Governmental Activities				
Capital Assets, net	$ 337,068,649	$ 23,804,905	$ 17,683,303	$ 343,190,251

NOTE 5 – INTERFUND TRANSACTIONS

<u>Operating Transfer</u>

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	Interfund Transfers In	
Interfund Transfers Out	**Non-Major Governmental Funds**	**Total**
General Fund	$ 96,211	$ 96,211
Non-Major Governmental Funds	3,272,108	3,272,108
Total Interfund Transfers	$ 3,368,319	$ 3,368,319

Transfer from the General Fund to the Adult Education Fund to transfer CalWorks funding.	$ 96,211
Transfer from the County School Facilities Fund to the Building Fund to reimburse for State School Facilities projects.	3,272,108
Total	$ 3,368,319

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities	Total Fiduciary
Payroll	$ 35,533	$ -	$ 1,158	$ -	$ 36,691	$ -
Construction	-	-	246,438	-	246,438	-
Vendors payable	5,337,356	47,861	647,358	-	6,032,575	500
Unmatured interest	-	-	-	3,674,669	3,674,669	-
Total	$ 5,372,889	$ 47,861	$ 894,954	$ 3,674,669	$ 9,990,373	$ 500

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	$ 2,861,129	$ -	$ 2,861,129
State categorical sources	6,452	298,349	304,801
Total	$ 2,867,581	$ 298,349	$ 3,165,930

NOTE 8 – LONG-TERM DEBT

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

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 242,349,211	$ 38,305,000	$ 26,545,000	$ 254,109,211	$ 4,005,000
Unamortized premium	14,480,428	2,008,448	671,553	15,817,323	751,890
Accreted interest	3,016,495	805,741	-	3,822,236	-
Total general obligation bonds	259,846,134	41,119,189	27,216,553	273,748,770	4,756,890
Certificates of participation	19,545,000	18,270,000	16,435,000	21,380,000	1,080,000
Unamortized premium	-	1,537,159	-	1,537,159	90,421
Total certificates of participation	19,545,000	19,807,159	16,435,000	22,917,159	1,170,421
Compensated absences	864,912	135,437	-	1,000,349	-
Energy loan	826,035	-	-	826,035	-
BBVA Compass loan	4,248,000	-	418,000	3,830,000	447,000
Net OPEB liability	30,238,062	3,136,385	-	33,374,447	-
Net pension liability	110,457,204	12,156,664	-	122,613,868	-
Total	$ 426,025,347	$ 76,354,834	$ 44,069,553	$ 458,310,628	$ 6,374,311

- 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 is paid.
- 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, 2018 amounted to $1,000,349. This amount is included as part of long-term liabilities in the government-wide financial statements.

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
Election 2004, Series C	9/26/2007	8/1/2032	4.00% - 8.00%	$ 10,050,000	$ 7,695,000	$ -	$ 7,695,000	$ -
Election 2006, Series A	9/26/2007	8/1/2032	4.00% - 8.00%	15,000,000	9,255,000	-	9,255,000	-
Election 2006, Series B	3/12/2009	8/1/2034	2.50% - 5.00%	35,000,000	6,830,000	-	6,225,000	605,000
2010 Refunding Bonds	2/24/2010	8/1/2023	2.00% - 5.00%	6,810,000	4,035,000	-	505,000	3,530,000
2011 General Obligation Revenue	7/1/2011	8/1/2042	5.50%	59,999,952	5,296,000	-	-	5,296,000
2012 QSCB	7/24/2012	8/1/2034	4.15% - 4.92%	25,000,000	25,000,000	-	-	25,000,000
2012 Refunding Bonds	7/24/2012	8/1/2026	3.00% - 5.00%	13,265,000	11,110,000	-	1,115,000	9,995,000
Election 2012, Series C	8/7/2012	8/1/2052	4.25%	18,003,211	18,003,211	-	-	18,003,211
Election 2012, Series D	4/8/2014	8/1/2043	2.00% - 5.00%	12,500,000	12,340,000	-	25,000	12,315,000
2014 Refunding Bonds	4/8/2014	8/1/2029	2.00% - 5.00%	9,985,000	8,355,000	-	545,000	7,810,000
Election 2014, Series A	6/3/2015	8/1/2044	3.00% - 5.00%	30,000,000	28,970,000	-	870,000	28,100,000
2015 Refunding Bonds	6/3/2015	8/1/2039	3.00% - 5.00%	37,625,000	36,840,000	-	310,000	36,530,000
2016 Refunding Bonds	7/13/2016	8/1/2044	2.00% - 4.00%	69,700,000	68,620,000	-	-	68,620,000
Election 2014, Series B	6/28/2017	8/1/2046	3.125% - 5.00%	18,000,000	-	18,000,000	-	18,000,000
2017 Refunding Bonds	6/28/2017	8/1/2034	3.125% - 5.00%	20,305,000	-	20,305,000	-	20,305,000
					$ 242,349,211	$ 38,305,000	$ 26,545,000	$ 254,109,211

In fiscal year 2008, the District issued $10,050,000 of General Obligation Bonds. During the year ended June 30, 2018, the remaining portion of the bonds was refunded by the District's 2017 Refunding Bonds.

In addition, the District issued $15,000,000 of General Obligation Bonds during fiscal year 2008. During the year ended June 30, 2018, the remaining portion of the bonds was refunded by the District's 2017 Refunding 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 remaining principal at June 30, 2018 of $605,000 will mature during the year ended June 30, 2019.

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

In fiscal year 2010, the District issued $6,810,000 of General Obligation Refunding Bonds. The bonds were sold to refinance the 1995 Election, Series D Bonds which were issued in the principal amount of $10,000,000. The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	630,000	46,875	676,875
2024	660,000	31,125	691,125
Total	$ 3,530,000	$ 556,125	$ 4,086,125

In fiscal year 2012, 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. 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
2019	$ -	$ -	$ -
2020	-	-	-
2021	85,000	90,000	175,000
2022	150,000	200,000	350,000
2023	250,000	300,000	550,000
2024 - 2028	2,380,000	3,470,000	5,850,000
2029 - 2033	656,000	1,194,000	1,850,000
2034 - 2038	-	-	-
2039 - 2043	1,775,000	9,275,000	11,050,000
Total	$ 5,296,000	$ 14,529,000	$ 19,825,000

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

In fiscal year 2013, the District issued $25,000,000 in Direct Payment Qualified School Construction Bonds. The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	-	1,155,888	1,155,888
2024 - 2028	9,625,000	4,780,844	14,405,844
2029 - 2033	-	3,782,250	3,782,250
2034 - 2035	15,375,000	1,134,675	16,509,675
Total	$ 25,000,000	$ 15,477,209	$ 40,477,209

In fiscal year 2013, 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 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
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	870,000	166,700	1,036,700
2024 - 2027	4,215,000	275,275	4,490,275
Total	$ 9,995,000	$ 1,614,000	$ 11,609,000

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

In fiscal year 2013, the District issued $18,003,211 in Election of 2010, Series C 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 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ 354,450	$ 354,450
2020	-	354,450	354,450
2021	-	354,450	354,450
2022	-	354,450	354,450
2023	-	354,450	354,450
2024 - 2028	-	1,772,250	1,772,250
2029 - 2033	-	1,772,250	1,772,250
2034 - 2038	451,731	8,470,519	8,922,250
2039 - 2043	2,899,855	12,962,396	15,862,251
2044 - 2048	2,898,921	18,939,389	21,838,310
2049 - 2053	11,752,704	29,689,404	41,442,108
Total	$ 18,003,211	$ 75,378,458	$ 93,381,669

In fiscal year 2014, the District issued $12,500,000 in Election of 2010, Series D General Obligation Bonds. The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	100,000	545,750	645,750
2024 - 2028	740,000	2,647,125	3,387,125
2029 - 2033	1,400,000	2,403,688	3,803,688
2034 - 2038	2,375,000	2,044,425	4,419,425
2039 - 2043	5,470,000	1,325,388	6,795,388
2044	2,030,000	50,750	2,080,750
Total	$ 12,315,000	$ 11,221,501	$ 23,536,501

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

In fiscal year 2014, 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 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
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	640,000	198,150	838,150
2024 - 2028	1,910,000	764,800	2,674,800
2029 - 2030	2,900,000	102,375	3,002,375
Total	$ 7,810,000	$ 2,063,250	$ 9,873,250

In fiscal year 2015, the District issued $30,000,000 in Election of 2014, Series A General Obligation Bonds. The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	-	1,193,443	1,193,443
2024 - 2028	700,000	5,933,963	6,633,963
2029 - 2033	1,910,000	5,523,213	7,433,213
2034 - 2038	5,160,000	4,946,460	10,106,460
2039 - 2043	13,390,000	2,912,516	16,302,516
2044 - 2045	6,940,000	293,198	7,233,198
Total	$ 28,100,000	$ 25,576,565	$ 53,676,565

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

In fiscal year 2015, 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 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
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	1,485,000	1,439,475	2,924,475
2024 - 2028	9,040,000	5,942,000	14,982,000
2029 - 2033	8,395,000	3,454,225	11,849,225
2034 - 2038	7,840,000	2,257,800	10,097,800
2039 - 2040	5,760,000	232,600	5,992,600
Total	$ 36,530,000	$ 19,616,700	$ 56,146,700

In fiscal year 2017, 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 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
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	-	2,659,600	2,659,600
2024 - 2028	-	13,298,000	13,298,000
2029 - 2033	6,120,000	12,872,800	18,992,800
2034 - 2038	16,090,000	10,638,000	26,728,000
2039 - 2043	25,650,000	6,370,250	32,020,250
2044 - 2045	20,760,000	747,950	21,507,950
Total	$ 68,620,000	$ 57,225,000	$ 125,845,000

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

In fiscal year 2018, the District issued $18,000,000 in Election of 2014, Series B General Obligation Bonds. The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,315,000	$ 678,554	$ 1,993,554
2020	1,480,000	627,844	2,107,844
2021	-	553,844	553,844
2022	-	553,844	553,844
2023	-	553,844	553,844
2024 - 2028	-	2,769,219	2,769,219
2029 - 2033	2,170,000	2,670,719	4,840,719
2034 - 2038	3,470,000	1,946,819	5,416,819
2039 - 2043	2,335,000	1,531,750	3,866,750
2044 - 2047	7,230,000	796,775	8,026,775
Total	$ 18,000,000	$ 12,683,212	$ 30,683,212

In fiscal year 2018, the District issued $20,305,000 in General Obligation Refunding Bonds. The bonds were issued to refund the remaining portions of the Election of 2004, Series C and Election of 2006, Series A bonds. The refunding transaction resulted in a net savings to the District $4,477,349 and a present value savings to the District of $3,500,526. The bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 730,000	$ 832,438	$ 1,562,438
2020	715,000	805,556	1,520,556
2021	755,000	769,806	1,524,806
2022	795,000	739,606	1,534,606
2023	830,000	699,856	1,529,856
2024 - 2028	4,745,000	2,881,530	7,626,530
2029 - 2033	7,355,000	1,595,380	8,950,380
2034 - 2035	4,380,000	211,972	4,591,972
Total	$ 20,305,000	$ 8,536,144	$ 28,841,144

NOTE 8 – LONG-TERM DEBT (continued)

C. Certificates of Participation

A summary of the District's certificates of participation (COP) debt is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
2011 COP	7/20/2010	6/1/2035	3.00% - 5.00%	$ 20,510,000	$ 15,250,000	$ -	$ 15,250,000	$ -
2013 COP	10/1/2012	9/1/2023	2.54%	7,050,000	4,295,000	-	585,000	3,710,000
2017 COP	8/16/2017	6/1/2035	3.125% - 5.00%	18,270,000	-	18,270,000	600,000	17,670,000
					$ 19,545,000	$ 18,270,000	$ 16,435,000	$ 21,380,000

In July 2010, the Pittsburg Unified School District Financing Corporation issued certificates of participation in the amount of $20,510,000. The remaining portion of 2011 COPs was refunded during the year ended June 30, 2018 through the issuance of the 2017 COPs.

In October 2012, the Pittsburg Unified School District Financing Corporation issued certificates of participation in the amount of $7,050,000. These COPs 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. The annual requirements to amortize the 2013 COPs are as follows:

Year Ended June 30,	Principal	Interest	Total
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	645,000	24,829	669,829
2024	640,000	8,319	648,319
Total	$ 3,710,000	$ 290,134	$ 4,000,134

In August 2017, the Pittsburg Unified School District Financing Corporation issued certificates of participation in the amount of $18,270,000. These COPs were issued to refund the outstanding amounts of the 2011 COP issued in July 2010. The refunding transaction results in a net savings to the District of approximately $2,250,194. The annual requirements to amortize the 2017 COPs are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 480,000	$ 687,762	$ 1,167,762
2020	535,000	673,362	1,208,362
2021	590,000	651,962	1,241,962
2022	645,000	628,362	1,273,362
2023	715,000	602,562	1,317,562
2024 - 2028	4,815,000	2,397,310	7,212,310
2029 - 2033	6,640,000	1,147,360	7,787,360
2034 - 2035	3,250,000	154,070	3,404,070
Total	$ 17,670,000	$ 6,942,750	$ 24,612,750

NOTE 8 – LONG-TERM DEBT (continued)

D. Other Postemployment Benefits

The District's restated beginning net OPEB liability was $30,238,062 and increased by $3,136,385 during the year ended June 30, 2018. The ending net OPEB liability at June 30, 2018 was $33,374,447. See Note 10 for additional information regarding the net OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was $110,457,204 and increased by $12,156,664 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $122,613,868. See Note 11 for additional information regarding the net pension liability.

F. 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 ten years. Payment obligations were as follows at June 30, 2018:

Year Ended June 30,	Principal	Interest	Total
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	579,000	46,845	625,845
2024 - 2025	1,272,000	38,730	1,310,730
Total	$ 3,830,000	$ 431,280	$ 4,261,280

G. 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, 2018, the CEC loan had an outstanding balance of $826,035.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 25,000	$ -	$ -	$ 5,000	$ 30,000
Stores inventory	-	-	-	50,593	50,593
Total non-spendable	25,000	-	-	55,593	80,593
Restricted					
Educational programs	7,532,390	-	-	406,481	7,938,871
Capital projects	-	15,315,656	-	3,672,798	18,988,454
Debt service	-	-	13,953,072	-	13,953,072
All others	-	-	-	1,201,039	1,201,039
Total restricted	7,532,390	15,315,656	13,953,072	5,280,318	42,081,436
Committed					
Other commitments	-	-	-	1,110,250	1,110,250
Total committed	-	-	-	1,110,250	1,110,250
Unassigned					
Reserve for economic uncertainties	4,418,955	-	-	-	4,418,955
Remaining unassigned	9,003,311	-	-	-	9,003,311
Total unassigned	13,422,266	-	-	-	13,422,266
Total	$ 20,979,656	$ 15,315,656	$ 13,953,072	$ 6,446,161	$ 56,694,545

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.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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.

B. OPEB Plan Fiduciary Net Position

The District has established a Futuris Public Entity Investment Trust. Detailed information about the Plan's fiduciary net position is available in the separately-issued the Plan Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the District.

C. 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 per month; Retiree +1, $1,344 per month; Retiree with Family, $1,747 per 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 or PEA members, as applicable, except that they are not subject to the monthly caps described above. In all cases, once the additional District contributions (as described above) end, the District pays the applicable PEMHCA statutory contribution for the remainder of the retiree's lifetime, as long as the retiree continues coverage under PEMHCA. If a covered spouse reaches age 65 before the retiree, the retiree then becomes subject to the retiree-only cap until he or she reaches age 65 (or the retiree +1 cap if there are covered dependent children under the age of 26).

D. Contributions

The District contribution for retirees is subject to the Unequal Contribution Method based on the effective date of the District's participation in PEMHCA. 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.

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

E. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	219
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	1,068
Total number of participants**	1,287

*Information not provided
**As of the March 1, 2016 valuation date

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	$	35,244,295
Plan fiduciary net position		(1,869,848)
District's net OPEB liability	$	33,374,447
Plan fiduciary net position as a percentage of total OPEB liability		5.31%

G. Investments

Investment Policy
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.

Rate of Return
For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.36 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

G. Investments (continued)

Concentrations

The Plan held the following investments which represent 5 percent or more of the Plan's fiduciary net position:

Investment	Fair Value	Percentage of fiduciary net position
Mutual Fund - Fixed Income		
Guggenheim Investments Investment Grade Bond Fund	$ 113,875	6.09%
Guggenheim Investments Macro Opportunities Inst	113,428	6.07%
Blackrock Total Return - K	111,621	5.97%
Prudential Funds Total Return Bond CL Q	111,614	5.97%
Western Asset Core Plus Bond IS	110,694	5.92%
Mutual Fund - Domestic Equity		
Oakmark Select Fund - Institutional	103,290	5.52%
Alger Funds Spectra Z	99,624	5.33%
All others	1,105,702	59.13%
Total fiduciary net position	$ 1,869,848	

H. Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:	
Salary increases	3.00%
Investment rate of return	5.00%
Healthcare cost trend rates	8.00% for 2016; 7.00% for 2017; 6.00% for 2018; 5.00% for 2019 and later years
Non-economic assumptions:	
Mortality:	
Pre-retirement	RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection
Post-retirement	RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection

The 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.

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

H. Actuarial Assumptions and Other Inputs (continued)

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

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 weighing 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 in excess of the target rate of return of 5.00 percent.

I. Changes in Net OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,542,463
Interest on total OPEB liability	1,602,307
Difference between expected and actual experience	604,371
Changes of assumptions	626,399
Benefits payments	(1,132,203)
Net change in total OPEB liability	3,243,337
Total OPEB liability - beginning	32,000,958
Total OPEB liability - ending (a)	$ 35,244,295
Plan fiduciary net position	
Contributions - employer	$ 1,132,203
Net investment income	128,681
Benefit payments	(1,132,203)
Administrative expenses	(21,729)
Net change in plan fiduciary net position	106,952
Plan fiduciary net position - beginning	1,762,896
Plan fiduciary net position - ending (b)	$ 1,869,848
District's net OPEB liability - ending (a) - (b)	$ 33,374,447
Plan fiduciary net position as a percentage of the total OPEB liability	5.3%
Covered payroll	$ 78,633,332
District's net OPEB liability (asset) as a percentage of covered payroll	42.4%

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

J. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Pittsburg Unified School District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.81 percent) or one percentage point higher (5.81 percent) than the current discount rate:

	1% Decrease (3.81%)	Valuation Discount Rate (4.81%)	1% Increase (5.81%)
Net OPEB liability	$ 36,977,231	$ 33,374,447	$ 30,261,700

K. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Pittsburg Unified School District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00 percent decreasing to 4.00 percent) or one percentage point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (7.0% decreasing to 4.0%)	Valuation Trend Rate (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Net OPEB liability	$ 31,866,972	$ 33,374,447	$ 35,176,167

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Pittsburg Unified School District recognized OPEB expense of $2,084,764 At June 30, 2018, the Pittsburg Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 15,046
Differences between expected and actual experience	523,788	-
Changes in assumptions	542,879	-
	$ 1,066,667	$ 15,046

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

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 164,103	$ 3,761
2020	164,103	3,761
2021	164,103	3,761
2022	164,103	3,763
2023	164,103	-
Thereafter	246,152	-
	$ 1,066,667	$ 15,046

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in net OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 86,890,207	$ 29,006,931	$ 7,470,025	$ 9,238,018
PERS Pension	35,723,661	13,367,095	639,283	5,226,432
Total	$ 122,613,868	$ 42,374,026	$ 8,109,308	$ 14,464,450

A. 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:

1. 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 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.

2. 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 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.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $7,659,682 for the year ended June 30, 2018.

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 $4,407,484 to CalSTRS.

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

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

District's proportionate share of the net pension liability	$	86,890,207
State's proportionate share of the net pension liability associated with the District		51,403,931
Total	$	138,294,138

The net pension liability was measured as of June 30, 2018, 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, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was .094 percent, which was a decrease of .006 percent from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

A. 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, 2018, the District recognized pension expense of $9,238,018. In addition, the District recognized pension expense and revenue of $1,477,418 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 2,314,128
Differences between expected and actual experience	321,328	1,515,505
Changes in assumptions	16,097,426	
Changes in proportion and differences between District contributions and proportionate share of contributions	4,928,495	3,640,392
District contributions subsequent to the measurement date	7,659,682	-
	$ 29,006,931	$ 7,470,025

The $7,659,682 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 3,835,378	$ 2,869,372
2020	3,835,378	(512,257)
2021	3,835,378	735,991
2022	3,835,377	3,003,259
2023	3,269,279	766,928
2024	2,736,459	606,732
	$ 21,347,249	$ 7,470,025

NOTE 11 – PENSION PLANS (continued)

A. 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, 2016, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 127,582,409	$ 86,890,207	$ 53,865,727

Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (continued)

B. 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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $3,284,789 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $35,723,661 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was .15 percent, which was consistent with its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

B. 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, 2018, the District recognized pension expense of $5,226,432. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 1,235,794	$ -
Differences between expected and actual experience	1,279,832	-
Changes in assumptions	5,218,003	420,602
Changes in proportion and differences between District contributions and proportionate share of contributions	2,348,677	218,681
District contributions subsequent to the measurement date	3,284,789	-
	$ 13,367,095	$ 639,283

The $3,284,789 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 3,516,664	$ 639,283
2020	4,290,459	-
2021	2,951,904	-
2022	(676,721)	-
	$ 10,082,306	$ 639,283

NOTE 11 – PENSION PLANS (continued)

B. 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, 2016, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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, 2016, 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 adjusted to account for assumed administrative expenses.

NOTE 11 – PENSION PLANS (continued)

B. 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	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the 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 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 52,560,953	$ 35,723,661	$ 21,755,717

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, 2018.

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, 2018.

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects from the Measure L and N bond funds in the amount of $4,140,958.

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.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. 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 or inflows 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, 2018, the deferred amount on refunding was $4,132,056.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was $42,374,026 and total deferred inflows related to pensions was $8,109,308.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was $1,066,667 and total deferred inflows related to other postemployment benefits was $15,046.

NOTE 15 – SUBSEQUENT EVENTS

General Obligation Bonds

On September 27, 2018, the District issued $20,000,000 in Election of 2014, Series C General Obligation Bonds and to finance the acquisition and improvement of various capital facilities of the District.

NOTE 16 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's net OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 7,092,862
Restatement	(19,505,929)
Net Position - Beginning, as Restated	$ (12,413,067)

REQUIRED SUPPLEMENTARY INFORMATION

PITTSBURG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 113,781,993	$ 113,515,554	$ 112,530,185	$ (985,369)
Federal sources	6,535,318	6,525,464	5,183,185	(1,342,279)
Other state sources	10,048,174	11,598,972	13,423,157	1,824,185
Other local sources	4,743,454	4,659,085	4,994,873	335,788
Total Revenues	135,108,939	136,299,075	136,131,400	(167,675)
EXPENDITURES				
Certificated salaries	54,828,925	55,531,905	54,987,491	544,414
Classified salaries	18,430,226	18,891,749	19,271,195	(379,446)
Employee benefits	33,435,990	32,363,210	32,475,308	(112,098)
Books and supplies	9,812,214	12,045,596	7,959,693	4,085,903
Services and other operating expenditures	19,258,071	21,365,442	20,118,178	1,247,264
Capital outlay	288,973	314,290	165,903	148,387
Other outgo				
Excluding transfers of indirect costs	2,953,147	3,667,818	3,052,128	615,690
Transfers of indirect costs	(465,753)	(350,753)	(276,376)	(74,377)
Total Expenditures	138,541,793	143,829,257	137,753,520	6,075,737
Excess (Deficiency) of Revenues				
Over Expenditures	(3,432,854)	(7,530,182)	(1,622,120)	5,908,062
Other Financing Sources (Uses)				
Transfers out	(355,221)	(355,221)	(451,432)	(96,211)
Net Financing Sources (Uses)	(355,221)	(355,221)	(451,432)	(96,211)
NET CHANGE IN FUND BALANCE	(3,788,075)	(7,885,403)	(2,073,552)	5,811,851
Fund Balance - Beginning	20,461,030	23,053,208	23,053,208	-
Fund Balance - Ending	$ 16,672,955	$ 15,167,805	$ 20,979,656	$ 5,811,851

* 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.

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,542,463
Interest on total OPEB liability	1,602,307
Difference between expected and actual experience	604,371
Changes of assumptions	626,399
Benefits payments	(1,132,203)
Net change in total OPEB liability	3,243,337
Total OPEB liability - beginning	32,000,958
Total OPEB liability - ending (a)	$ 35,244,295
Plan fiduciary net position	
Contributions - employer	$ 1,132,203
Net investment income	128,681
Benefit payments	(1,132,203)
Administrative expenses	(21,729)
Net change in plan fiduciary net position	106,952
Plan fiduciary net position - beginning	1,762,896
Plan fiduciary net position - ending (b)	$ 1,869,848
District's net OPEB liability - ending (a) - (b)	$ 33,374,447
Plan fiduciary net position as a percentage of the total OPEB liability	5.3%
Covered payroll	$ 78,633,332
District's net OPEB liability (asset) as a percentage of covered payroll	42.4%

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Actuarially determined contribution	$ 2,949,553
Contributions in relation to the actuarially determined contribution	(1,132,203)
Contribution deficiency (excess)	$ 1,817,350
Covered payroll	$ 78,633,332
Contributions as a percentage of covered payroll	1.4%

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INVESTMENT RETURNS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Annual money-weighted rate of return, net of investment expense	7.36%

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, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.094%	0.100%	0.095%	0.089%
District's proportionate share of the net pension liability	$ 86,890,207	$ 80,823,036	$ 63,759,740	$ 52,243,661
State's proportionate share of the net pension liability associated with the District	51,403,931	46,017,886	33,721,783	31,546,978
Total	$ 138,294,138	$ 126,840,922	$ 97,481,523	$ 83,790,639
District's covered payroll	$ 52,131,630	$ 48,714,874	$ 44,778,768	$ 39,819,758
District's proportionate share of the net pension liability as a percentage of its covered payroll	166.7%	165.9%	142.4%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.150%	0.150%	0.143%	0.136%
District's proportionate share of the net pension liability	$ 35,723,661	$ 29,634,168	$ 21,130,945	$ 15,493,491
District's covered payroll	$ 19,654,591	$ 18,415,589	$ 15,861,278	$ 14,326,709
District's proportionate share of the net pension liability as a percentage of its covered payroll	181.8%	160.9%	133.2%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 7,659,682	$ 6,566,851	$ 5,195,606	$ 3,986,192
Contributions in relation to the contractually required contribution*	(7,659,682)	(6,566,851)	(5,195,606)	(3,986,192)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 53,081,648	$ 52,131,630	$ 48,714,874	$ 44,778,768
Contributions as a percentage of covered payroll	14.43%	12.60%	10.67%	8.90%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 3,284,789	$ 2,729,240	$ 2,148,122	$ 1,920,480
Contributions in relation to the contractually required contribution	(3,284,789)	(2,729,240)	(2,148,122)	(1,920,480)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 21,149,888	$ 19,654,591	$ 18,415,589	$ 15,861,278
Contributions as a percentage of covered payroll	15.53%	13.89%	11.66%	12.11%

See accompanying note to required supplementary information.

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 Net OPEB Liability and Related Ratios
This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the net OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

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

Schedule of OPEB Investment Returns
This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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.

Changes in Benefit Terms
There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions
The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	$ 18,891,749	$ 19,271,195	$ 379,446
Employee benefits	$ 32,363,210	$ 32,475,308	$ 112,098
Other outgo			
Transfers of indirect costs	$ (350,753)	$ (276,376)	$ 74,377

SUPPLEMENTARY INFORMATION

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected **[1]**	84.010	14329	$ 2,589,016
Adult Education			
Adult Education: Adult Basic Education & ESL	84.002A	14508	193,153
Adult Education: Adult Secondary Education	84.002	13978	54,968
Adult Education: English Literacy and Civics Education	84.002A	14109	83,268
Subtotal Adult Education			331,389
Title II, Part A, Teacher Quality	84.367	14341	173,054
Title III			
Title III, English Learner Student Program	84.365	14346	103,743
Title III, Immigrant Education Program	84.365	15146	24,483
Subtotal Title III			128,226
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	71,100
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,768,390
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	127,231
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	32,036
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	147,762
Subtotal Special Education Cluster			2,075,419
Carl Perkins Act			
Vocational Programs: Voc. & Appl. Tech Secondary II C, Sec 131	84.048	14894	85,843
Vocational Programs: Adult, Section 132	84.048	14893	22,311
Subtotal Carl Perkins Act			108,154
Total U. S. Department of Education			5,476,358
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	2,205
School Breakfast Program - Needy	10.553	13526	1,133,299
National School Lunch Program	10.555	13391	2,888,242
USDA Commodities **[2]**	10.555	*	311,666
Meal Supplements	10.555	*	152,070
Subtotal Child Nutrition Cluster			4,487,482
CACFP Claims - Centers and Family Day Care	10.558	13393	755,628
NSLP Equipment Assistance Grants	10.579	14906	80,494
Local Food Promotion Program Grant	10.172	*	48,886
Total U. S. Department of Agriculture			5,372,490
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Education:			
Teen Pregnancy Prevention Grant	93.297	*	17,723
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	435,994
Total U. S. Department of Health & Human Services			453,717
Total Federal Expenditures			$ 11,302,565

[1] - Major Program
[2] - In-Kind Contribution
***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
	FD9D0949	**921CD8A2**
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	3,298.65	3,298.58
Extended Year Special Education	3.96	3.96
Special Education - Nonpublic Schools	4.46	4.58
Extended Year Special Education - Nonpublic Schools	0.13	0.19
Total TK/K through Third	3,307.20	3,307.31
Fourth through Sixth		
Regular ADA	2,464.90	2,464.30
Extended Year Special Education	2.51	2.51
Special Education - Nonpublic Schools	6.47	7.07
Extended Year Special Education - Nonpublic Schools	0.49	1.02
Total Fourth through Sixth	2,474.37	2,474.90
Seventh through Eighth		
Regular ADA	1,640.55	1,635.09
Extended Year Special Education	1.40	1.40
Special Education - Nonpublic Schools	4.50	4.21
Extended Year Special Education - Nonpublic Schools	0.36	0.49
Total Seventh through Eighth	1,646.81	1,641.19
Ninth through Twelfth		
Regular ADA	3,461.18	3,420.48
Extended Year Special Education	4.35	4.35
Special Education - Nonpublic Schools	11.68	13.66
Extended Year Special Education - Nonpublic Schools	1.25	1.87
Total Ninth through Twelfth	3,478.46	3,440.36
TOTAL SCHOOL DISTRICT	10,906.84	10,863.76

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	37,800	180	Complied
Grade 1	50,400	52,100	180	Complied
Grade 2	50,400	52,100	180	Complied
Grade 3	50,400	52,100	180	Complied
Grade 4	54,000	54,015	180	Complied
Grade 5	54,000	54,015	180	Complied
Grade 6	54,000	59,158	180	Complied
Grade 7	54,000	59,158	180	Complied
Grade 8	54,000	59,158	180	Complied
Grade 9	64,800	65,028	180	Complied
Grade 10	64,800	65,028	180	Complied
Grade 11	64,800	65,028	180	Complied
Grade 12	64,800	65,028	180	Complied

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 144,816,942	$ 136,131,400	$ 131,507,668	$ 126,067,423
Expenditures And Other Financing Uses	147,298,500	138,204,952	128,915,490	115,849,301
Net change in Fund Balance	$ (2,481,558)	$ (2,073,552)	$ 2,592,178	$ 10,218,122
Ending Fund Balance	$ 18,498,098	$ 20,979,656	$ 23,053,208	$ 20,461,030
Available Reserves*	$ 10,330,872	$ 13,422,266	$ 9,320,731	$ 9,540,388
Available Reserves As A Percentage Of Outgo	7.01%	9.71%	7.23%	8.24%
Long-term Debt	$ 451,936,317	$ 458,310,628	$ 406,519,418	$ 352,353,927
Average Daily Attendance At P-2	10,967	10,907	10,868	10,561

The General Fund balance has increased by $518,626 over the past two years. The fiscal year 2018-19 budget projects a decrease of $2,481,558. 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 but anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $105,956,701 over the past two years.

Average daily attendance has increased by 346 ADA over the past two years. A further increase of 60 ADA is anticipated during the 2018-19 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.

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements for the year ended June 30, 2018.

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS								
Cash and investments	$ 417,150	$ 87,964	$ 643,763	$ 741,944	$ 3,762,653	$ 11,636	$ 345,593	$ 6,010,703
Accounts receivable	402,984	219,817	819,225	-	136,142	-	-	1,578,168
Stores inventory	-	-	50,593	-	-	-	-	50,593
Total Assets	$ 820,134	$ 307,781	$ 1,513,581	$ 741,944	$ 3,898,795	$ 11,636	$ 345,593	$ 7,639,464
LIABILITIES								
Accrued liabilities	$ 252,961	$ 12,977	$ 239,120	$ 81,930	$ 246,438	$ -	$ 61,528	$ 894,954
Unearned revenue	-	260	22,829	-	-	-	275,260	298,349
Total Liabilities	252,961	13,237	261,949	81,930	246,438	-	336,788	1,193,303
FUND BALANCES								
Non-spendable	5,000	-	50,593	-	-	-	-	55,593
Restricted	111,937	294,544	1,201,039	-	3,652,357	11,636	8,805	5,280,318
Committed	450,236	-	-	660,014	-	-	-	1,110,250
Total Fund Balances	567,173	294,544	1,251,632	660,014	3,652,357	11,636	8,805	6,446,161
Total Liabilities and Fund Balance	$ 820,134	$ 307,781	$ 1,513,581	$ 741,944	$ 3,898,795	$ 11,636	$ 345,593	$ 7,639,464

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, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES								
LCFF sources	$ -	$ -	$ -	$ 355,221	$ -	$ -	$ -	$ 355,221
Federal sources	424,800	-	5,372,490	-	-	-	-	5,797,290
Other state sources	2,664,374	1,573,929	458,234	-	4,564	3,272,108	470,065	8,443,274
Other local sources	170,865	4,738	478,594	4,491	198,845	22,651	8,805	888,989
Total Revenues	3,260,039	1,578,667	6,309,318	359,712	203,409	3,294,759	478,870	15,484,774
EXPENDITURES								
Current								
Instruction	2,401,962	1,130,302	-	-	-	-	-	3,532,264
Instruction-related services								
School site administration	851,158	350,491	-	-	-	-	-	1,201,649
Pupil services								
Food services	-	31,762	6,329,519	-	-	-	-	6,361,281
General administration								
All other general administration	66,769	22,857	186,750	-	-	-	-	276,376
Plant services	230,034	9,400	2,200	161,990	-	-	-	403,624
Facilities acquisition and maintenance	-	-	-	6,444	18,077,380	11,024	470,065	18,564,913
Interest and other	-	-	-	-	508,448	-	-	508,448
Total Expenditures	3,549,923	1,544,812	6,518,469	168,434	18,585,828	11,024	470,065	30,848,555
Excess (Deficiency) of Revenues								
Over Expenditures	(289,884)	33,855	(209,151)	191,278	(18,382,419)	3,283,735	8,805	(15,363,781)
Other Financing Sources (Uses)								
Transfers in	96,211	-	-	-	3,272,108	-	-	3,368,319
Other sources	-	-	-	-	40,313,448	-	-	40,313,448
Transfers out	-	-	-	-	-	(3,272,108)	-	(3,272,108)
Other uses	-	-	-	-	(21,805,000)	-	-	(21,805,000)
Net Financing Sources (Uses)	96,211	-	-	-	21,780,556	(3,272,108)	-	18,604,659
NET CHANGE IN FUND BALANCE	(193,673)	33,855	(209,151)	191,278	3,398,137	11,627	8,805	3,240,878
Fund Balance - Beginning	760,846	260,689	1,460,783	468,736	254,220	9	-	3,205,283
Fund Balance - Ending	$ 567,173	$ 294,544	$ 1,251,632	$ 660,014	$ 3,652,357	$ 11,636	$ 8,805	$ 6,446,161

See accompanying note to supplementary information.

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
Mr. Duane Smith	Vice President	December 2018
Dr. Laura Canciamilla	Trustee	December 2020
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

Mr. Anthony Molina, M. Ed.
Executive Director of Educational Services

*This position is vacant following the retirement of Mr. Palacios in July 2018.

See accompanying note to supplementary information.

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, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 10,980,475
Medi-Cal Billing Option	93.778	322,090
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 11,302,565

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, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

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

Independent 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, 2018, 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 12, 2018.

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.

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 #2018-001)

Compliance and Other Matters

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

Christy White Associates

San Diego, California
December 12, 2018

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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, 2018. 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.

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, 2018.

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 12, 2018

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REPORT ON STATE COMPLIANCE

<u>Independent Auditors' Report</u>

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

Management's Responsibility

Management is responsible for compliance with 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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.

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, 2018.

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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After/Before 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
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 12, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2018-001: CASH RECEIPTS INTERNAL CONTROLS - ADULT EDUCATION (30000)

Criteria: Internal controls over year-end closing adjustments are important to ensure that the District's financial statements are free of material misstatement. This should include an adequate review process for all journal entries posted throughout the fiscal year.

Condition: During our internal control evaluation of Pittsburg Adult Education Center (PAEC) cash receipts internal controls, we noted the following deficiencies in internal controls:

- We noted that invoices are not voided in necessary instances, but rather zeroed out or changed to "Other" payment type.
- One (1) out of ten receipts selections should have been voided, as the payment type was noted as "Other" and an additional invoice was created for the same fees. We noted that the total for this payment type is not reconciled to the monthly bank activity, which creates the opportunity for misappropriation of funds.
- We noted that there was an inactive bank account that remained open as of the date of audit, in the amount of approximately $120. This account relates to a cafeteria program that the site no longer operates. As a result, we recommend closing this account as soon as possible.
- Through review of the bank reconciliations for the months of June and July 2018, we noted that reconciliations are not signed off by preparer and reviewer.

Cause: Lack of adequate oversight in relation to PAEC program accounting procedures.

Effect: Risk of loss or misappropriation of program revenues.

Recommendation: Sound internal controls and oversight processes should be implemented to mitigate risks related to collection of cash and equivalents of PAEC fees. Bank reconciliations should be prepared, signed, and reviewed on a monthly basis.

Corrective Action Plan: The Adult School has established a modified procedure to address the invoice transactions. Although the school Café educational program has been closed for several months, PAEC plans to reopen the Café within the next few months. We plan on keeping the bank account open to avoid new bank-related fees. A plan has been implemented for the PAEC Accountant to meet with the Business Office on a monthly basis to review and sign off on the bank reconciliations.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
71000	Teacher Misassignments
72000	School Accountability Report Card

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

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:

- Four (4) of 10 cash receipts tested did not have adequate supporting documentation to reconcile the sales to the amounts deposited.
- Three (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.

Current Status: Implemented.

FINDING #2017-002: ADULT EDUCATION INTERNAL CONTROLS (30000)

Criteria: Maintaining sound internal control procedures over bank accounts reduces the opportunity for irregularities to go undetected.

Condition: During an internal review, the District discovered evidence to support that $277,693 in cash and checks was missing from Adult Education. The District had a bank account to collect fees for the Child Care program that was no longer in use. Once the District discovered that this account was still open in October 2014, the District gave directions to Adult Education to close the account immediately and received confirmation from them that it was closed. The account was never closed, and the District suspects that it was used to misappropriate funds. The District does anticipate recovering a portion of the money through insurance proceeds.

Cause: A bank account that was no longer in use was not closed.

Effect: Potential for misappropriation of funds.

Recommendation: We recommend that the District implement internal control procedures to verify that bank accounts no longer in use are closed.

District Response: The District closed the Child Care bank account on November 7, 2017, after discovering that it was still open. Additionally, the District hired a new Accountant as of January 11, 2018 to better manage cash control for the Adult Education program. In January 2018, the Adult Education attendance software was upgraded to include a cash and bank reconciliation to better manage internal control.

Current Status: Partially implemented. See Finding #2018-001 for additional information.